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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Goldbond Group Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**GOLDBOND GROUP HOLDINGS LIMITED**  
**金榜集團控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**PROPOSALS INVOLVING**  
**GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES**  
**AMENDMENTS TO THE SHARE OPTION SCHEME**  
**AND**  
**AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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A notice convening the Annual General Meeting of the Company to be held on 29 August 2003 at 3:00 p.m. at Queensway and Victoria Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong at which, among other things, the above proposals will be considered, is contained in the Company's annual report for the year ended 31 March 2003 despatched to the Shareholders on 31 July 2003. Whether or not you are able to attend the Annual General Meeting, you are requested to complete and return the form of proxy enclosed with the Annual Report in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event before the time appointed for holding the meeting to the Company's Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not prevent you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

31 July 2003

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## DEFINITIONS

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“AGM Notice”	the notice for convening the Annual General Meeting contained in the Company’s annual report for the year ended 31 March 2003 despatched to the Shareholders on 31 July 2003
“Annual General Meeting”	the annual general meeting of the Company to be convened on 29 August 2003 at 3:00 p.m. at Queensway and Victoria Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong
“Articles of Association”	the articles of association of the Company
“associates”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company”	Goldbond Group Holdings Limited (formerly known as Can Do Holdings Limited), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“General Mandate”	the proposed general mandate to be sought at the AGM to authorize the Directors to allot and issue Shares up to a maximum of 20% of the aggregate nominal amount of the ordinary share capital of the Company in issue as at the date of passing the relevant resolution approving the same at the AGM
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	28 July 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Preference Share(s)”	Both the ‘A’ Limited Voting Convertible Preference Share(s) and the ‘B’ Limited Voting Convertible Preference Share(s)
“Repurchase Mandate”	the proposed general mandate to be sought at the AGM to authorize the Directors to repurchase the Shares the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the ordinary share capital in issue as at the date of passing the relevant resolution approving the same at the AGM
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 18 September 2002
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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**GOLDBOND GROUP HOLDINGS LIMITED**

**金榜集團控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

*Executive Directors:*

Mr. Wong Yu Lung, Charles  
Mr. Ko Po Ming  
Ms. Loh Jiah Yee, Katherine  
Mr. Lan Ning  
Mr. Kee Wah Sze

*Registered office:*

Unit 3606, Tower 2  
Lippo Centre  
89 Queensway  
Hong Kong

*Independent non-executive Directors:*

Mr. Ma Ho Fai  
Mr. Zhang Xiao Shu

31 July 2003

*To the Shareholders and, for information only, holders of the Preference Shares*

Dear Sirs or Madam,

**PROPOSALS INVOLVING  
GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES  
AMENDMENTS TO THE SHARE OPTION SCHEME  
AND  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**INTRODUCTION**

The purpose of this circular is to provide you with information regarding the proposed General Mandate and Repurchase Mandate and amendments to the Share Option Scheme and the Articles of Association.

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## LETTER FROM THE BOARD

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### GRANTING OF THE GENERAL MANDATE AND REPURCHASE MANDATE

At the extraordinary general meeting of the Company held on 11 April 2003, the Directors were granted a general mandate to allot, issue and deal with Shares in the capital of the Company and a repurchase mandate to repurchase Shares on the Stock Exchange. These mandates will expire at the conclusion of the forthcoming AGM. To facilitate future allotment and issue of Shares by the Directors on behalf of the Company, the Director will seek the approval of the Shareholders for the grant of the General Mandate and Repurchase Mandate at the forthcoming AGM.

The explanatory statement in relation to the Repurchase Mandate required by the Listing Rules to be included herein is set out in Appendix to this circular.

### AMENDMENTS TO THE SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 18 September 2002. It is proposed to amend the same for the purpose of giving clarity to the operation of the Share Option Scheme.

Listed below are proposed amendments to be made to the Shares Option Scheme pursuant to ordinary resolution no. 7 set out in the AGM Notice:

#### **Clause 4.4(g)**

*Existing provision:*

“such other terms and conditions of the Offer as may be imposed by the Directors as are not inconsistent with this Scheme; and”

*Proposed amendments:*

By adding “including (without limitation) in the event that the Eligible Participant is a body corporate, that any material change of the management and/or shareholding of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria of this Scheme” immediately after the words “this Scheme;” and the clause as amended shall be:

“such other terms and conditions of the Offer as may be imposed by the Directors as are not inconsistent with this Scheme, including (without limitation) in the event that the Eligible Participant is a body corporate, that any material change of the management and/or shareholding of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria of this Scheme; and”

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## LETTER FROM THE BOARD

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### **Clause 4.4 (i)**

*Proposed amendments:*

By adding a new clause 4.4(i) immediately after clause 4.4(h):

“the manner of payment of the Subscription Price for the Shares upon and in consequence of the exercise of the Option;”

### **Clause 4.7**

*Proposed amendments:*

By adding “and shall lapse automatically” at the end of clause 4.7 and the clause as amended shall be:

“Upon an Offer being accepted by an Eligible Participant in whole or in part in accordance with paragraph 4.5 or 4.6, an Option in respect of the number of Shares in respect of which the Offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the date of such acceptance. To the extent that the Offer is not accepted within the time specified in the Offer in the manner indicated in paragraph 4.5 or 4.6, it will be deemed to have been irrevocably declined and shall lapse automatically.”

### **Clause 6.4(a)**

*Proposed amendments:*

By adding “, failing which the Option shall lapse” at the end of Clause 6.4(a) and the clause as amended shall be:

“if the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the Option in full, his Personal Representative(s) or, as appropriate, the Grantee may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 6.2 within a period of twelve (12) months following the date of cessation of employment which date shall be the last date on which the Grantee was at work with the Company or the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine or if any of the events referred to in paragraph 6.4(c) or 6.4(d) occur during such period, exercise the Option pursuant to paragraph 6.4(c) or 6.4(d) respectively, failing which the Option shall lapse;”

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## LETTER FROM THE BOARD

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### **Clause 6.4(d)**

*Existing clause:*

“in the event of an effective resolution being proposed for the voluntary winding-up of the Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time prior to the date on which such resolution is passed, exercise his Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 6.3 and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his Option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution.”

*Proposed amendments:*

By replacing “at any time” with “not later than four (4) Business Days” and the clause as amended shall be:

“in the event of an effective resolution being proposed for the voluntary winding-up of the Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company not later than four (4) Business Days prior to the date on which such resolution is passed, exercise his Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 6.3 and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his Option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution.”

### **Clause 6.4(e)**

*Proposed amendments:*

By adding a new clause 6.4(e) immediately after clause 6.4(d):

“if the Grantee (not being an Eligible Employee) ceases to be a Director of any member of the Group or any Invested Entity, a supplier, a customer, a person providing research, development or other support, a shareholder of any member of the Group or any Invested Entity, an adviser of, a consultant of or a contractor to any member of the Group, or a joint venture partner or business alliance that co-operate with any member of the Group or any Invested Entity, for any reason other than his death (in the case the Grantee being an individual), the Option (to the extent not already exercised), shall be exercised within three (3) months following the date of such cessation, failing which the Option shall lapse;”



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## LETTER FROM THE BOARD

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### **Clause 6.4(f)**

*Proposed amendments:*

By adding a new clause 6.4(f) immediately after the new clause 6.4(e):

“in the event an effective resolution being proposed for a compromise or arrangement between the Company and the shareholders or creditors in connection with a scheme for the reconstruction or amalgamation of the Company, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at a time not later than four (4) Business Days prior to the date on which such resolution is passed, exercise his Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with paragraph 6.3 and the Company shall as soon as possible allot and issue such number of Shares credited as fully paid to the Grantee which falls to be issued on such exercise and registered the Grantee as the holder thereof.”

### **Clause 7.1(c)**

*Existing clause:*

“in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group into disrepute);”

*Proposed amendments:*

By adding “or appears either to be unable to pay or to have no reasonable prospect of being able to pay debts when they are due” immediately after “in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct,” and the clause as amended shall be:

“in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay debts when they are due or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group into disrepute);”

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## LETTER FROM THE BOARD

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### **Clause 7.1(d)**

*Existing clause:*

“in respect of a Grantee other than an Eligible Employee, the date on which the Directors shall at their absolute discretion determine that (i) the Grantee or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and the Group on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; and (ii) the Option shall lapse; and”

*Proposed amendments:*

By substituting the existing clause 7.1(d) with the following new clause 7.1(d) and the new clause clause 7.1(d) shall be:

“in respect of a Grantee other than an Eligible Employee, the date on which the Grantee or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and the Group on the other part or that the Grantee appears either to be unable to pay or to have no reasonable prospect of being able to pay debts when they are due or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or the Grantee or his associate is subject to any outstanding unsatisfied judgement, order or award; or a petition for bankruptcy or a bankruptcy order has been presented or made against any director of the Grantee in any jurisdiction; and the Option shall lapse; and”

### **Clause 7.1(f)**

*Proposed amendments:*

By adding a new clause 7.1(f) immediately after clause 7.1(e):

“the date on which the Directors consider that the Grantee fails to meet the continuing eligibility criteria as required, if the Directors have the right to cancel the Options.”

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## LETTER FROM THE BOARD

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### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Following certain recent amendments to the Companies Ordinance and the Listing Rules; and the coming into effect of the SFO on 1 April 2003, it is also proposed to make corresponding amendments to the Articles of Association.

Listed below are proposed amendments to be made to the existing Articles of Association pursuant to special resolution no. 8 set out in the AGM Notice:

#### **Article 1 Interpretation**

*Proposed amendments:*

By adding the definition of “SFO” to the Interpretation under Article 1 and the definition shall be:

“the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong), as amended from time to time, and every other act of the legislature of Hong Kong for the time being in force applying to or affecting the Company, its memorandum of association and/or the Articles”

*Proposed amendments:*

By adding the definition of “recognised clearing house” to the Interpretation under Article 1 and the definition shall be:

“a recognised clearing house within the meaning of Schedule 1 of the SFO or a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted with the permission of the Company on a stock exchange in such jurisdiction”

#### **Article 9**

*Existing provision:*

“Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not except as ordered by Court of competent jurisdiction or as by statute required be bound to recognise any equitable or other claims to or interest in such share on the part of any other person.”

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## LETTER FROM THE BOARD

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*Proposed amendments:*

By replacing “ill” with “in” and the article as amended shall be:

“Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not except as ordered by Court of competent jurisdiction or as by statute required be bound to recognise any equitable or other claims to or interest in such share on the part of any other person.”

### **Article 23 Transfer and Transmission of Shares**

*Existing provision:*

“Subject to such of the restrictions of these Presents as may be applicable, any Member may transfer all or any of his fully-paid shares by an instrument of transfer in the usual common form or in any other form which the Directors may approve.”

*Proposed amendments:*

By adding “Such transfer may be under hand or, if the transfer or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time.” immediately right after “the Directors may approve.” and the article as amended shall be :

“Subject to such of the restrictions of these Presents as may be applicable, any Member may transfer all or any of his fully-paid shares by an instrument of transfer in the usual common form or in any other form which the Directors may approve. Such transfer may be under hand or, if the transfer or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time.”

### **Article 26 Transfer and Transmission of Shares**

*Existing provision:*

“The Directors may decline to register any transfer of share not being fully paid shares to a person of whom they do not approve, any may also decline to register any transfer of shares on which the Company has a lien.”

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## LETTER FROM THE BOARD

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*Proposed amendments:*

By adding “If the Directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal.” and the article as amended shall be:

“The Directors may decline to register any transfer of share not being fully paid shares to a person of whom they do not approve, any may also decline to register any transfer of shares on which the Company has a lien. If the Directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal.”

### **Article 35A Disfranchisement of Shares**

*Proposed amendments:*

By deleting the Article sets out below:

“Where a notification is served by the Company under section 18 of the Securities (Disclosure of Interests) Ordinance 1988 on a person who is or was interested in shares of the Company and that person fails to give the Company any information required by the notification within the time specified in it, the Directors may direct that such shares be subject to the following restrictions:

- (a) any transfer of those shares or, in the case of unissued shares, any transfer of the right to be issued with them, and any issue of such shares is void;
- (b) no voting rights are exercisable in respect of the shares after a period of 42 days has elapsed since the service of the notification;
- (c) no further shares shall be issued in right of them or in pursuance of any offer made to their holder; and
- (d) except in a liquidation, no payment shall be made of any sums due from the Company on the shares, whether in respect of capital or otherwise.”

### **Article 35B**

*Proposed amendments:*

By renumbering the existing Article 35B as Article 35A.

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## LETTER FROM THE BOARD

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### **Article 80A**

#### *Proposed amendments:*

By adding a new Article 80A immediately after Article 80:

“Where a member of the Company is a recognised clearing house or its nominee, it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any general meeting of the Company or any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such person is so authorised. The person so authorised shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) which he represents as that clearing house (or its nominee(s)) would be entitled to exercise as if such person were an individual member of the Company including the right to vote individually on a show of hands.”

### **Article 107(b) Proceedings of Directors**

#### *Existing provision:*

“Directors may participate in any meeting of the Board by means of a conference telephone or other coirununication equipment through which all persons participating in the meeting can communicate with each other and such participation shall constitute presence at a meeting as if those participating were present in person provided that a memorandum of the meeting and the resolutions passed thereat is signed by each of the participating Directors in manner set out in Article 115 and deposited with the Secretary within two (2) weeks of the date of the meeting.”

#### *Proposed amendments*

By replacing the word “coirununication” with the word “communication” and the article as amended shall be:

“Directors may participate in any meeting of the Board by means of a conference telephone or other communication equipment through which all persons participating in the meeting can communicate with each other and such participation shall constitute presence at a meeting as if those participating were present in person provided that a memorandum of the meeting and the resolutions passed thereat is signed by each of the participating Directors in manner set out in Article 115 and deposited with the Secretary within two (2) weeks of the date of the meeting.”

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## LETTER FROM THE BOARD

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### **Article 121(e) Disqualification of Directors**

*Existing provision:*

“If he becomes prohibited from being a Director by reason of any order made under Section 223 or 275 of the Ordinance.”

*Proposed amendments:*

By replacing “Section 223 or 275” with “Part IVA” and the article as amended shall be:

“If he becomes prohibited from being a Director by reason of any order made under Part IVA of the Ordinance”

### **Article 131 Accounts**

*Existing provision:*

“The book of account shall be kept at the Registered Office or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Director. inspection.”

*Proposed amendments:*

By deleting the word “inspection” immediately after “the Director.”.

### **Article 133 Accounts**

*Existing provision:*

“A copy of every balance sheet and profit and loss account, including every document required by law to be annexed thereto, which is to be laid before the Company in General Meeting, together with a copy of the Auditors’ report, shall be sent to each person entitled thereto in accordance with the requirements with the Companies Ordinance, and copies shall also be sent in appropriate numbers to The Stock Exchange of Hong Kong Limited in accordance with the terms of any listing agreement for the time being binding on the Company or with the continuing obligations binding on the Company or with the continuing obligations binding on the Company by virtue of any listing.”

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## LETTER FROM THE BOARD

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*Proposed amendments:*

By adding “either (i)” immediately after “A copy of” and adding the phrase “or (ii) the summary of the financial report” immediately after “the Auditors’ report” and replace “Companies Ordinance” with “Ordinance” and the article as amended shall be:

“A copy of either (i) every balance sheet and profit and loss account, including every document required by law to be annexed thereto, which is to be laid before the Company in General Meeting, together with a copy of the Auditors’ report or (ii) the summary of the financial report, shall be sent to each person entitled thereto in accordance with the requirements with the Ordinance, and copies shall also be sent in appropriate numbers to The Stock Exchange of Hong Kong Limited in accordance with the terms of any listing agreement for the time being binding on the Company or with the continuing obligations binding on the Company or with the continuing obligations binding on the Company by virtue of any listing.”

### **ANNUAL GENERAL MEETING**

The AGM Notice convening the AGM to be held on Friday, 29 August 2003, which contains, inter alia, ordinary resolutions to approve the General Mandate and Repurchase Mandate and amendments to the Share Option Scheme and special resolutions to amend the Articles of Association, is set out in the 2003 annual report of the Company which is being sent to the Shareholders with this circular.

A form or proxy for use at the AGM is enclosed in the 2003 annual report of the Company. Whether or not you wish to attend the AGM, you are requested to complete and return the said form of proxy in accordance with instructions printed thereon and return it to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than 48 hours before the time fixed for holding of the AGM or any adjournment (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof should you so wish.



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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the granting of the General Mandate and Repurchase Mandate and amendments to the Share Option Scheme and the Articles of Association are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of all the resolutions as set out in the AGM Notice.

### DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Articles of Association and the draft of the amended Share Option Scheme will be available for inspection at the registered office of the Company at Unit 3606, Tower 2, Lippo Centre, 89 Queensway, Hong Kong during normal business hours from the date of this circular up to and including 29 August 2003 and also at the AGM.

Yours faithfully,  
For and on behalf of the Board  
**Goldbond Group Holdings Limited**  
**Chan Lai Yin, Tommy**  
*Company Secretary*

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for consideration of the Repurchase Mandate.

### **PROVISIONS OF THE LISTING RULES**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

All proposed securities repurchases on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Such authority may only continue in force during the period from the passing of the resolution until the next annual general meeting of that company or the expiration of the period.

### **NUMBER OF SECURITIES SUBJECT TO THE REPURCHASE MANDATE**

As at the Latest Practicable Date, the issued ordinary share capital of the Company consisted of 331,488,000 Shares. If the ordinary resolution authorising the Directors to repurchase the Shares is passed at the AGM, and assuming that no further securities in the Company are issued prior to the date of passing the said resolution, up to 33,148,800 Shares may be repurchased by the Company.

### **SOURCE OF FUNDS**

Repurchases must be funded out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the laws of Hong Kong.

The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company or the proceeds of a new issue of shares made for the purpose of the repurchase and any premium payable on repurchase shall be paid out of distributable profits of the Company unless such repurchased shares were issued at a premium, in which case, any premium payable on repurchase may be paid out of the proceeds of a fresh issue of shares made for the purpose of the repurchase to such extent allowable under the Companies Ordinance.

**REASONS FOR REPURCHASES**

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase securities in the market at any appropriate time. The Directors have no present intention to repurchase any Shares but consider that such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value the Company and/or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

**FINANCIAL EFFECT OF REPURCHASES**

The Directors anticipate that there might be a material adverse impact on the working capital or gearing position of the Company in the event that the Repurchase Mandate is exercised in full during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

**GENERAL****(a) Undertaking**

The Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the applicable laws of Hong Kong and the Listing Rules.

**(b) Directors and connected persons**

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates, have any present intention to sell any of the Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

No “connected person” (as defined in the Listing Rules) has notified the Company that it has a present intention to sell any of the Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**(c) Effect of Takeover Code**

If, as a result of a repurchase of the Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Hong Kong Code on Takeovers and Mergers ("the Code"). As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and, depending on the level of increase of the Shareholder's interest, may become obliged to make a mandatory offer in accordance with Rule 26 of the Code. Accordingly, during the exercise of the power to repurchase the Shares pursuant to the Repurchase Mandate, the Directors and the Shareholders will act in compliance with the Code as and when necessary.

As at the Latest Practicable Date, Allied Luck Trading Limited, being a substantial Shareholder, was interested in or deemed to be interested in approximately 11.34% of the issued ordinary share capital of the Company. If the Repurchase Mandate is exercised in full, Allied Luck Trading Limited will be interested in or deemed to be interested in approximately 12.60% of the issued ordinary share capital of the Company (assuming the shareholdings of Allied Luck Trading Limited in the Company remain unchanged as from the Latest Practicable Date and prior to the exercise of the Repurchase Mandate.)

The Directors are not aware of any consequences which may arise under the Code as a result of any repurchase made under the Repurchase Mandate.

**(d) Share Repurchase made by the Company**

The Company has made no repurchases of its Shares in the past six months (whether on the Stock Exchange or otherwise) preceding the Latest Practicable Date .

**(e) Shares Prices**

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the 12 months preceding the Latest Practicable Date were as follows:

<b>Month</b>	<b>Highest Price (HK\$)</b>	<b>Lowest Price (HK\$)</b>
<b>2002</b>		
July	0.27*	0.10*
August	0.23*	0.17*
September	0.23*	0.21*
October	0.19*	0.18*
November	0.20*	0.10*
December	0.14*	0.10*
<b>2003</b>		
January	0.38*	0.11*
February	0.33*	0.18*
March	0.28*	0.21*
April	0.26*	0.17*
May	0.24*	0.16*
June	0.23*	0.18*
July	0.21	0.18

Note: \* Adjusted for the Company's Shares Consolidation announced on 26 June 2003.