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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, 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 to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

(Stock code: 172)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INDEPENDENT FINANCIAL ADVISER

 **Baron Capital Limited**

BARON CAPITAL LIMITED

A letter of advice from Baron Capital Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 22 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 11 of this circular.

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DEFINITIONS

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

“Agreement”	the agreement dated 27 June 2005 entered into between Perfect Honour as purchaser and Mr. Xie as seller in relation to the sale and purchase of the Sale Shares
“associates”	has the meaning as ascribed to it under the Listing Rules
“Baron”	Baron Capital Limited, a licensed corporation registered under the SFO carrying out types 1 and 6 regulated activities (as defined in the SFO) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Board”	the board of Directors
“China Modern”	China Modern Limited, an Independent Third Party
“China Modern Agreement”	the agreement entered into between China Modern as seller and Mr. Xie as purchaser in respect of the sale and purchase of China Modern’s entire interest in Rongzhong BVI, representing 20% of the entire issued share capital of Rongzhong BVI
“Company”	Goldbond Group Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the China Modern Agreement and the Agreement simultaneously which took place on 7 July 2005
“Consideration”	US\$11, being the consideration for the Sale Shares
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board established for the purpose of advising the Independent Shareholders in connection with the Agreement, the Loan Agreement and the respective transactions contemplated thereunder
“Independent Shareholders”	all Shareholders as no Shareholder is regarded having interest in the respective transactions contemplated under the Agreement and the Loan Agreement
“Independent Third Party(ies)”	a person(s) or company(ies), who/which and whose ultimate beneficial owner(s), to the best of the Director’s knowledge and information and having made all reasonable enquiries, is/are independent of and not connected with the Company, the directors, chief executive, substantial shareholders (as defined under the Listing Rules) of the Company and its subsidiaries or any of their respective associates
“Latest Practicable Date”	25 July 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Legend Crown”	Legend Crown International Limited, a company incorporated in the British Virgin Islands with limited liability and owned by the associates of a Director
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan of up to HK\$17 million advanced by Perfect Honour to Rongzhong BVI pursuant to the terms of the Loan Agreement
“Loan Agreement”	the loan agreement dated 27 June 2005 entered into between Perfect Honour as lender and Rongzhong BVI as borrower in respect of the Loan
“Management Company”	融眾企業管理（深圳）有限公司（for identification purpose, in English, Rongzhong Enterprise Management (Shenzhen) Company Limited), a wholly foreign owned enterprise established under the PRC laws and wholly owned by Rongzhong BVI
“Mr. Xie”	Mr. Xie Xiao Qing

DEFINITIONS

“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, other than the revenue ratio, profits ratio and equity capital ratio
“Perfect Honour”	Perfect Honour Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Previous Loan”	the shareholder’s loan of RMB42,000,000 (equivalent to approximately HK\$39,623,000) advanced by Perfect Honour to Rongzhong BVI pursuant to the terms of the Subscription Agreement
“PRC”	The People’s Republic of China
“Prime Rate”	the best lending rate offered by The Hongkong and Shanghai Banking Corporation Limited
“Rongzhong Board”	the board of directors of Rongzhong BVI
“Rongzhong BVI”	Rongzhong Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Rongzhong Group”	Rongzhong BVI, the Management Company and other associated companies and subsidiaries which Rongzhong BVI may establish in the future
“Sale Shares”	11 ordinary shares of US\$1.00 each beneficially owned by Mr. Xie, representing 11% of the entire issued share capital of Rongzhong BVI
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 1 November 2004 entered into between, inter alia, Perfect Honour, Mr. Xie, Legend Crown and Rongzhong BVI

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States Dollars, the lawful currency of the United States

For the purposes of illustration only, amounts denominated in US\$ and RMB have been translated into HK\$ at the rate of US\$1.00 to HK\$7.8 and RMB1.06 to HK\$1.00 respectively. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

LETTER FROM THE BOARD



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
Mr. Lan Ning
Mr. Kee Wah Sze
Mr. Ding Chung Keung, Vincent

Registered and principal office:

Unit 3901A, 39th Floor
Tower 1, Lippo Centre
89 Queensway
Hong Kong

Independent non-executive Directors:

Mr. Ip Yin Wah
Mr. Ma Ho Fai JP
Mr. Melvin Jitsumi Shiraki

28 July 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

On 27 June 2005, Perfect Honour, a wholly owned subsidiary of the Company, entered into (i) the Loan Agreement with Rongzhong BVI, an associated company of the Company, pursuant to which Perfect Honour agreed to advance the Loan to Rongzhong BVI as the general working capital of the Rongzhong Group on the terms and subject to the conditions therein contained; and (ii) the Agreement with Mr. Xie pursuant to which Perfect Honour agreed to acquire and Mr. Xie agreed to sell the Sale Shares at the Consideration.

The Agreement was completed on 7 July 2005 and the Loan was drawn down on 19 July 2005.

The purpose of this circular is to provide you with further information regarding, among other things, the Loan Agreement, the Agreement, the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of Baron to the Independent Board Committee and the Independent Shareholders in relation to the Agreement, the Loan Agreement and the respective transactions contemplated thereunder.

LETTER FROM THE BOARD

THE LOAN AGREEMENT

Date

27 June 2005

Parties

- (1) Perfect Honour, a wholly owned subsidiary of the Company
- (2) Rongzhong BVI, an associated company of the Company

Terms of the Loan

- (1) simultaneously with or after completion of the Agreement, Perfect Honour will advance, and Rongzhong BVI may drawdown, the Loan of not more than HK\$17 million;
- (2) subject to an overriding right to demand full repayment of the Loan by Perfect Honour at any time, Rongzhong BVI shall repay the Loan in full within 24 months from the date of the Loan Agreement;
- (3) interest shall accrue on the Loan at the rate of 2% above the Prime Rate and shall be payable half-yearly; and
- (4) the Loan shall be used as the general working capital of the Rongzhong Group.

The Loan was drawn down by Rongzhong BVI on 19 July 2005. The Loan was financed by the Company's existing banking facilities. The interest rate charged by Perfect Honour under the Loan Agreement is higher than the interest rates presently charged under the banking facilities available to the Company.

The Loan Agreement was entered into after arm's length negotiation between Perfect Honour and Rongzhong BVI and the interest rate charged thereunder is similar to the loans provided by the Group to its associated companies.

LETTER FROM THE BOARD

THE AGREEMENT

Date

27 June 2005

Parties

- (1) Perfect Honour, a wholly owned subsidiary of the Company
- (2) Mr. Xie

Asset to be acquired

Perfect Honour agreed to acquire and Mr. Xie agreed to sell the Sale Shares at the Consideration. The Sale Shares were sold by Mr. Xie to Perfect Honour free from all encumbrances.

Consideration

The Consideration of US\$11 (equivalent to approximately HK\$85.8) was financed by the Company's internal resources and had been paid by Perfect Honour in cash on completion of the Agreement which took place on 7 July 2005. The Sale Shares were acquired by Mr. Xie at a consideration of US\$11 (equivalent to approximately HK\$85.8) pursuant to the Subscription Agreement. The Consideration was arrived at after arm's length negotiation between the parties to the Agreement. As Rongzhong BVI recorded an unaudited net liability of approximately HK\$5,300,000 as at 31 March 2005, the consideration for the Sale Shares was agreed at US\$11 which represents the nominal value of the 11 shares of Rongzhong BVI to be sold by Mr. Xie to Perfect Honour.

Completion

Completion of the Agreement has taken place on 7 July 2005 simultaneously with completion of the China Modern Agreement.

A shareholders' agreement was entered into by Perfect Honour, Mr. Xie, Legend Crown and Rongzhong BVI on 7 July 2005 pursuant to which Perfect Honour had the right to nominate three representatives to the Rongzhong Board, Mr. Xie had the right to nominate two representatives to the Rongzhong Board and Legend Crown had the right to nominate one representative to the Rongzhong Board. One of the three representatives nominated by Perfect Honour to the Rongzhong Board was appointed as the chairman of such board and he/she would be entitled to a casting vote.

Pursuant to the China Modern Agreement, China Modern agreed to sell and Mr. Xie agreed to purchase the entire interest of China Modern in Rongzhong BVI. Pursuant to the Subscription Agreement, consent for such sale would be required from Legend Crown and

LETTER FROM THE BOARD

Perfect Honour. Legend Crown consented to such sale and Perfect Honour granted such consent upon the simultaneous completion of the China Modern Agreement and the Agreement on 7 July 2005.

INFORMATION ON RONGZHONG BVI

Rongzhong BVI is an investment holding company incorporated in the British Virgin Islands with limited liability on 3 March 2004. After the completion of the Agreement and as at the Latest Practicable Date, Rongzhong BVI was owned as to 51%, 44% and 5% by Perfect Honour, Mr. Xie and Legend Crown respectively. Legend Crown is owned jointly by associates of Mr. Wong Yu Lung, Charles, a Director, and one of the shareholders of Legend Crown currently holds 2,069,000 Shares, representing approximately 0.12% of the issued share capital of the Company.

Rongzhong BVI has established a wholly foreign owned enterprise in the name of 融眾企業管理（深圳）有限公司 (for identification purpose, in English, Rongzhong Enterprise Management (Shenzhen) Company Limited) (i.e. the Management Company) on 12 January 2005. The Management Company is principally engaged in the provision of management and investment consultancy services to loan guarantee businesses in the PRC. So far as the Directors are aware, the Rongzhong Group has possessed the necessary licence/approval required for the provision of the management and investment consultancy services to loan guarantee businesses in the PRC. The loan guarantee businesses in general is the provision of guarantee to the lenders for the borrowers who require loan financing to make purchases.

According to the unaudited consolidated management accounts of Rongzhong BVI made for the period since its incorporation on 3 March 2004 up to 31 March 2005, Rongzhong BVI recorded an unaudited loss of approximately HK\$5,300,000 and a negative net asset value of approximately HK\$5,300,000.

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT AND THE AGREEMENT

The Group is principally engaged in property development and investments and provision of financial services in Hong Kong and the PRC. As set out in the interim report of the Company for the six months ended 30 September 2004, in view of the recent growth in the economy of Hong Kong and the PRC, the Group takes every opportunity to expand its strategic business development in property and finance industries with proactive approach. Although Rongzhong BVI recorded an unaudited loss of HK\$5,300,000 as at 31 March 2005, the Directors are of the view that it would be normal for a new operating company to record a loss at the preliminary stage. Based on the unaudited consolidated management accounts of the Group and Rongzhong BVI as at 31 March 2005, the net asset value of the Group would decrease at Completion.

With the establishment of the Management Company, the Directors consider that it is a good opportunity to increase its stake in Rongzhong BVI to enable the Group to increase its participation in the loan guarantee businesses in the PRC.

LETTER FROM THE BOARD

In light of the steady growth in the PRC economy and the size and the purchasing power of the population concerned in the PRC and the growth prospect of loan guarantee businesses in the PRC, the Directors consider that it is a good opportunity to increase its stake in Rongzhong BVI so that after Completion the accounts of the Rongzhong Group will be consolidated into the accounts of the Group. Pursuant to the terms of the Loan Agreement, the Loan was advanced by Perfect Honour to Rongzhong BVI on normal commercial terms. Accordingly, the Directors consider that the entering into the Loan Agreement and the Agreement as a whole can enable the Group to increase its participation in the prospective growth of loan guarantee businesses in the PRC. Therefore, the Directors including the independent non-executive Directors are of the view that the terms of the Loan Agreement and the Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

Pursuant to the Subscription Agreement, Perfect Honour has advanced to Rongzhong BVI the Previous Loan of RMB42,000,000 (equivalent to approximately HK\$39,623,000) on 21 December 2004. Given that the Percentage Ratios for the aggregate amount of the Previous Loan and the Loan and the acquisition of the Sale Shares exceed 5% but below 25%, the provision of the Loan and the acquisition of the Sale Shares constituted discloseable transactions for the Company under the Listing Rules.

As at the date of the Agreement, Mr. Xie was a substantial shareholder holding 35% interest in Rongzhong BVI, the entering into of the Agreement by Perfect Honour also constituted a connected transaction for the Company under Rule 14A.13(1)(b)(i) of the Listing Rules. Accordingly, the Agreement would have to be subject to the approval of the Shareholders. As Rongzhong BVI would become a subsidiary and a connected person of the Company after completion of the Agreement, the provision of the Loan by Perfect Honour to Rongzhong BVI also constituted a connected transaction under Rule 14A.13(2)(a)(i) of the Listing Rules and would have to be subject to the approval of the Shareholders. As at the Latest Practicable Date, a total of 497,232,000 Shares, representing approximately 29.91% of the issued capital of the Company, were held by Allied Luck Trading Limited, which is owned by Mr. Wong Yu Lung, Charles, a Director and his spouse in equal shares. Allied Luck Trading Limited and Ace Solomon Investments Limited (owned as to 89% by Mr. Kee Wah Sze, and as to 11% by Mr. Wong Yu Lung, Charles), being parties acting in concert under The Code on Takeovers and Merger and a closely allied group of Shareholders and which held 497,232,000 Shares and 338,888,343 Shares respectively, under Rule 14.45 of the Listing Rules, were interested in approximately 50.3% of the issued share capital of the Company in aggregate as at the Latest Practicable Date, and had already confirmed in writing that they had approved the Agreement, the Loan Agreement and the respective transactions contemplated thereunder. Since no Shareholder would be required to abstain from voting on the resolution approving the Agreement, the Loan Agreement and the respective transactions contemplated thereunder pursuant to Rule 14A.43 of the Listing Rules, the Company would not be required to convene a general meeting of the Shareholders to approve the Agreement, the Loan Agreement and the respective transactions contemplated thereunder.

LETTER FROM THE BOARD

THE INDEPENDENT BOARD COMMITTEE

The Independent Board committee, comprising Messrs. Ip Yin Wah, Ma Ho Fai and Melvin Jitsumi Shiraki, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Agreement, the Loan Agreement and the respective transactions contemplated thereunder. Baron has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 11 of this circular. The Independent Board Committee, taking into account the advice of Baron, the text of which is set out on pages 12 to 22 of this circular, considers that the terms of the Agreement, the Loan Agreement and the respective transactions contemplated thereunder are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

By Order of the Board
Goldbond Group Holdings Limited
Wong Yu Lung, Charles
Chief Executive Officer



GOLDBOND GROUP HOLDINGS LIMITED

金榜集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 172)

28 July 2005

To the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you in connection with the Agreement, the Loan Agreement and the respective transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 28 July 2005 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same respective meanings when used herein unless the context otherwise requires.

Having considered the terms of the Agreement, the Loan Agreement and the respective transactions contemplated thereunder and the advice of Baron in relation thereto as set out on pages 12 to 22 of the Circular, we are of the opinion that the terms of the Agreement, the Loan Agreement and the respective transactions contemplated thereunder are fair and reasonable and are in the interests of the Group and the Independent Shareholders as a whole.

Yours faithfully,

Independent Board Committee

Ip Yin Wah

Melvin Jitsumi Shiraki

Ma Ho Fai

Independent non-executive Directors

LETTER FROM BARON

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Baron dated 28 July 2005 prepared for the purpose of incorporation in this circular:



4/F, Aon China Building
29 Queen's Road Central
Central, Hong Kong

28 July 2005

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of whether the respective terms of the Loan Agreement and the Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 28 July 2005 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 6 July 2005, the Board announced that on 27 June 2005 Perfect Honour, a wholly-owned subsidiary of the Company, entered into (i) the Loan Agreement with Rongzhong BVI, an associated company of the Company, pursuant to which Perfect Honour agreed to advance the Loan to Rongzhong BVI as the general working capital of the Rongzhong Group on the terms and conditions contained in the Loan Agreement; and (ii) the Agreement with Mr. Xie, a substantial shareholder of Rongzhong BVI, pursuant to which Perfect Honour agreed to acquire and Mr. Xie agreed to sell the Sale Shares, representing 11% of the entire issued share capital of Rongzhong BVI, for the consideration of US\$11.0 (equivalent to approximately HK\$85.8).

According to the Subscription Agreement, Perfect Honour has advanced to Rongzhong BVI the Previous Loan of RMB42 million (equivalent to approximately HK\$39.623 million) on 21 December 2004. In aggregating the amount of the Previous Loan and the Loan and the acquisition of the Sale Shares, the provision of the Loan and the acquisition of the Sale Shares constituted discloseable transactions for the Company under Chapter 14 of the Listing Rules.

LETTER FROM BARON

As at the date of the Agreement, Mr. Xie was a substantial shareholder of Rongzhong BVI holding 35% interest in Rongzhong BVI, the entering into the Agreement by Perfect Honour constituted a connected transaction for the Company under Rule 14A.13(1)(b)(i) of the Listing Rules. As Rongzhong BVI would become a subsidiary and a connected person of the Company after completion of the Agreement, the provision of the Loan by Perfect Honour to Rongzhong BVI also constituted a connected transaction under Rule 14A.13(2)(a)(i) of the Listing Rules. As at the Latest Practicable Date, Allied Luck Trading Limited and Ace Solomon Investments Limited, being parties acting in concert under The Code on Takeovers and Mergers and a closely allied group of Shareholders, were collectively interested in approximately 50.3% of the issued share capital of the Company, and had already confirmed in writing that they had approved the Agreement, the Loan Agreement and the respective transactions contemplated thereunder. Since no Shareholder would be required to abstain from voting on the resolution to approve the Agreement, the Loan Agreement and the respective transactions contemplated thereunder, the Company would not be required to convene a general meeting of the Shareholders to approve the Agreement, the Loan Agreement and the respective transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Ip Yin Wah, Mr. Ma Ho Fai and Mr. Melvin Jitsumi Shiraki, all being the independent non-executive Directors, has been established by the Company to advise and give a recommendation to the Independent Shareholders in respect of the terms and conditions of the Loan Agreement, the Agreement and the respective transactions contemplated therein.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied and the opinion expressed by the Directors (including the independent non-executive Directors) and the management of the Company. We have assumed that the information contained and representations made to us or referred to in the Circular are true, accurate and complete at the time they were made and continue to be so at the date of the Circular.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

Having made all reasonable enquiries, the Directors (including the independent non-executive Directors) have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

LETTER FROM BARON

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company and nor have we considered the taxation implication on the Group or the Shareholders as a result of the Agreement and the Loan Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Loan Agreement and Agreement, we have taken into the following principal factors and reasons into consideration:

I. Background for entering into the Loan Agreement and the Agreement

The Group is principally engaged in property development and investments and provision of financial services in Hong Kong and the PRC. As stated in the “Letter from the Board” in the Circular, Rongzhong BVI is an investment holding company incorporated in the British Virgin Islands with limited liability on 3 March 2004. Rongzhong BVI had established a wholly foreign-owned enterprise in the name of 融眾企業管理（深圳）有限公司 (for identification purpose, in English, Rongzhong Enterprise Management (Shenzhen) Company Limited) (the “Management Company”) on 12 January 2005, which is principally engaged in the provision of management and investment consultancy services to loan guarantee businesses in the PRC and has commenced its business since March 2005. Prior to the completion of the Agreement, Rongzhong BVI was owned as to 40%, 35%, 20% and 5% by Perfect Honour, Mr. Xie, China Modern and Legend Crown respectively.

On 6 July 2005, the Company announced that on 27 June 2005 Perfect Honour entered into (i) the Loan Agreement with Rongzhong BVI, pursuant to which Perfect Honour agreed to advance the Loan of up to HK\$17 million for the general working capital of the Rongzhong Group; and (ii) the Agreement with Mr. Xie pursuant to which Perfect Honour agreed to acquire and Mr. Xie agreed to sell the Sale Shares at the Consideration. On the same date, China Modern agreed to sell and Mr. Xie agreed to purchase the entire interest of China Modern in Rongzhong BVI, which is 20% of the issued share capital in Rongzhong BVI. Pursuant to the Subscription Agreement, such transaction requires prior consent from both Legend Crown and Perfect Honour. Legend Crown gave its consent to such sale on 27 June 2005. Perfect Honour agreed to give consent to such sale provided that the China Modern Agreement, the Agreement and the Loan Agreement were completed simultaneously. On 7 July 2005, Perfect Honour also gave its consent to the sale of 20% of issued share capital of Rongzhong BVI to the shareholders of Rongzhong BVI. After the completion of the Agreement and as at the Latest Practicable Date, Rongzhong BVI is owned as to 51%, 44% and 5% by Perfect Honour, Mr. Xie and Legend Crown respectively.

LETTER FROM BARON

With a view to diversifying the business of the Group and the growth prospect of the financial services in the PRC, Perfect Honour began to penetrate into the provision of management and investment consultancy services to loan guarantee businesses by subscribing 40% equity interest in Rongzhong BVI at a cash consideration of US\$40.0 in December 2004. Pursuant to the Subscription Agreement, the Group had advanced to Rongzhong BVI the Previous Loan of approximately RMB42 million for the provision of management and support services to loan guarantee companies in the PRC.

Given that the Group is principally engaged in property development and investments and provision of financial services in Hong Kong and the PRC, we consider that entering into the Loan Agreement and Agreement is in line with the principal business of the Group. The provision of the Loan and the acquisition of the Sale Shares not only represent consistent strategies to the principal business of the Group, but also strengthen the Group's investment portfolio.

II. Reasons for entering into the Loan Agreement and the Agreement

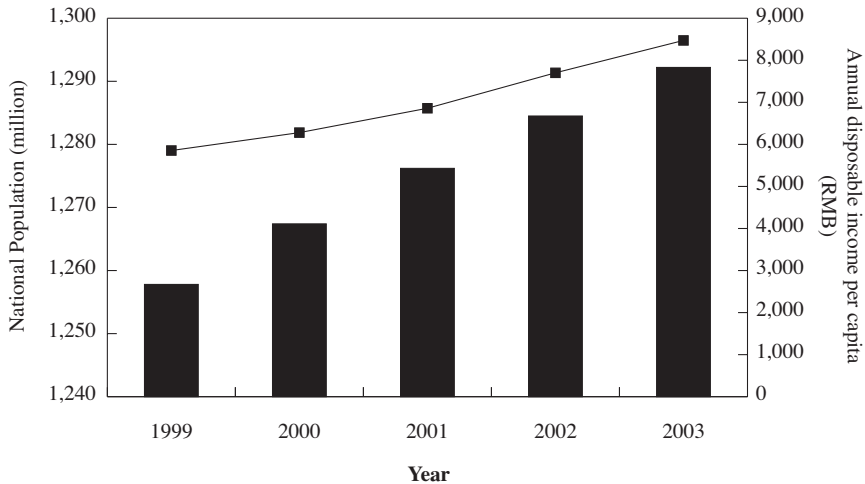
1. Growth potentials of loan guarantee business

As stated in the "Letter from the Board" in the Circular, in light of the steady growth in the PRC economy, the purchasing power of the population in the PRC and the growing prospect of loan guarantee businesses in the PRC, the Directors (including the independent non-executive Directors) consider that it is a good opportunity to increase its stake in Rongzhong BVI through entering into the Agreement. At present, the Rongzhong Group is conducting businesses of the provision of management and investment consultancy services to the loan guarantee businesses for the individuals from various cities in the PRC, including Changsha, Chengdu, Chongqing, Guangzhou, Nanjing and Hangzhou which are relating to six major types of activities, namely, (1) consumables, (2) travels and wedding, (3) residential renovations, (4) educational funds, (5) motor vehicles, and (6) properties. The Directors (including the independent non-executive Directors) believe that the continuously increasing number of the urban population and the levels of disposable income and household consumption will have positive impact on the demand for the provision of management and investment consultancy services to the loan guarantee services for the PRC individuals.

We have analysed the levels of disposable income and the number of urban population for the recent five years and note that the number of urban population was in an increasing trend from 1999 to 2003 and the annual disposable income per capita increased from RMB5,854 to RMB8,472, which represents an increase of approximately 44.7% as compared with the corresponding period in 1999. Compared with other developed countries, a huge population of approximately 1.3 billion in China has provided a good growing opportunity for the loan guarantee businesses. We are of the view that the continuously increase in the levels of disposable income helps to stimulate private consumption expenditure on

LETTER FROM BARON

consumable durable goods, such as vehicles, properties and other expenditures (such as education, wedding and property renovation), which provide a favorable business environment for the Rongzhong Group. The following graph shows the increasing trend for national population and the annual disposable income per capita in the PRC between 1999 and 2003:



Source: *National Bureau of Statistics of China*

We have also discussed with the management of the Company and note that the present intention of the Rongzhong Group is to further expand its PRC market by cooperating with local banks to develop different kinds of financial products in the future and utilise its business networks to further promote the existing products in the market.

According to an article from website of CCCVN (“China Consultant Channel”) (the English name for translation purpose only) 《中國諮詢頻道》 of the PRC, there is a great growing capacity for the loan guarantee businesses in the PRC and it is expected that the loan guarantee businesses will accelerate approximately 50% in the market share each year. The Directors (including the independent non-executive Directors) believe that it is a great opportunity for the Group to penetrate into the market of the provision of management and investment consultancy services to the loan guarantee businesses for PRC individuals. Furthermore, the PRC government is now considering credit guarantee as an important part of the development strategies in the financial industry. According to the report 《關於開展個人消費信貸的指導意見》 (“Guidelines on development of credit business for individual consumption”) (the English name for translation purpose only) published by the People’s Bank of China, the People’s Bank of China encouraged financial institutions to provide different kinds of financial credit products to the PRC individuals. With the growing trend of the annual disposable income per capita in the PRC and the growing demand for credit guarantee business, we concur with the view of the Directors (including the independent non-executive Directors) that there is large room for the provision of management and investment

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consultancy services to loan guarantee businesses to grow in the PRC. On the other hand, starting from 21 July 2005, the PRC government has reformed the exchange rate regime by moving into a managed floating rate regime with reference to a basket of foreign currencies. Therefore, RMB will no longer be pegged to the US dollars. The loan guarantee businesses in the PRC will then be subject to exchange rate exposure. We also believe that the recent RMB appreciation would not affect the domestic private consumption and the demand for domestic loan guarantee business provided that the business of the Rongzhong Group is being conducted in the PRC. After taking into account the above factors and the positive outlook for the loan guarantee businesses for PRC individuals, we are of the view that entering into the Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. The expertise of Mr. Xie and his management team

As stated in the Company's circular dated 25 November 2004, Mr. Xie has commenced the loan guarantee business in the PRC since 2001 and has established an extensive operation network in the loan guarantee business in the PRC. The Directors (including the independent non-executive Directors) believe that the provision of management and investment consultancy services to the loan guarantee businesses for the PRC individuals has growing potential by capitalising the management and industry expertise of Mr. Xie. As advised by the Directors, Mr. Xie will continue to participate in the management and business operations of the Rongzhong Group. By leveraging the expertise of Mr. Xie and his management team, the Directors (including the independent non-executive Directors) believe that Mr. Xie will help the Rongzhong Group to further enhance the market reputation and credibility. Therefore, the Directors (including the independent non-executive Directors) believe that the Agreement can bring potential business opportunities to the Rongzhong Group in the long run. In this regard, we are of the opinion that the Rongzhong Group will be able to capitalize on the skills and experiences of Mr. Xie and his management team and reap the benefits of future growth prospects of the loan guarantee industry.

III. The Loan Agreement

Principal terms of the Loan Agreement

As stated in the "Letter from the Board" in the Circular, the provision of the Loan to Rongzhong BVI was financed by the Company's existing banking facilities. As stated in the "Letter from the Board" in the Circular, Perfect Honour had advanced, and Rongzhong BVI had drawn down the Loan of HK\$17 million on 19 July 2005. Subject to an overriding right to demand full repayment of the Loan by Perfect Honour at any time, Rongzhong BVI will repay the Loan in full within 24 months from 27 June 2005 (the date of the Loan Agreement) and the interest will accrue on the Loan at the rate of 2% above the Prime Rate and shall be payable half-yearly.

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The interest rate charged by Perfect Honour under the Loan Agreement is higher than the interest rates presently charged under the banking facilities available to the Company. The Directors (including the independent non-executive Directors) confirm that the Loan Agreement was entered into on normal commercial terms and after arm's length negotiation between Perfect Honour and Rongzhong BVI. We have discussed with the management of the Group and reviewed the interim report of the Group and note that the interest rate of prime rate plus 2% for the Loan is in line with the other loans provided by the Group to its associated companies in 2004. In addition, as stated in the "Letter from the Board" in the Circular, the Directors (including the independent non-executive Directors) consider that entering into the Loan Agreement can enable the Group to increase its participation in the prospective growth of management and investment consultancy services to the loan guarantee businesses in the PRC. We have discussed with the management of the Group and believe that it is reasonable for the Group to provide financial assistance to Rongzhong BVI as Rongzhong BVI will become a subsidiary of the Company. Also, together with the expertise of Mr. Xie and his management team and the future prospects of the loan guarantee business in the PRC, the Group can capture the financial benefits in the event that the financial performance of Rongzhong Group improves in the future. Accordingly, we concur with the view of the Directors (including the independent non-executive Directors) that the provision of the Loan (together with the terms and conditions) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. The Agreement

Terms and conditions of the Agreement

Pursuant to the Agreement, the consideration of the Sale Shares was US\$11.0 (equivalent to approximately HK\$85.8) which was financed by the Company's internal resources and paid by Perfect Honour in cash on completion of the Agreement on 7 July 2005. The Directors (including the independent non-executive Directors) confirm that the Consideration was arrived at after arm's length negotiation between the parties to the Agreement. As stated in the "Letter from the Board" in the Circular, since Rongzhong BVI recorded an unaudited net liability of approximately HK\$5.3 million as at 31 March 2005, the Consideration was agreed at US\$11.0 (representing the nominal value of the 11 shares of Rongzhong BVI) sold by Mr. Xie to Perfect Honour. The Sale Shares were acquired by Mr. Xie at a consideration of US\$11.0 (equivalent to approximately HK\$85.8) pursuant to the Subscription Agreement. We have reviewed the Subscription Agreement and note that the basis of the consideration is the same with the Agreement signed between Perfect Honour and Mr. Xie. In this regard, we are of the view that the basis of the consideration would not be less favorable than other shareholders of Rongzhong BVI.

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The price/earnings multiple and net assets are considered as the common basis to evaluate the fairness of the Consideration. However, the Rongzhong Group recorded an unaudited loss of approximately HK\$5.3 million during the period since its incorporation on 3 March 2004 up to 31 March 2005, and a negative net asset value of approximately HK\$5.3 million as at 31 March 2005, we are of the view that it is not appropriate to assess the valuation of Rongzhong BVI by using the price/earnings multiple and net assets as basis. As the above two basis are not appropriate for evaluating the fairness of the Consideration, we will assess the fairness of entering into the Agreement in terms of its financial effects discussed below.

V. Financial effects on the Group

1. Net Assets

After Completion, Rongzhong BVI has changed from an associated company to a non wholly-owned subsidiary of the Company and the accounts of the Rongzhong Group will be consolidated into the accounts of the Group. Based on the unaudited consolidated management accounts of Rongzhong BVI since its incorporation on 3 March 2004 up to 31 March 2005, Rongzhong BVI recorded an unaudited negative net asset value of approximately HK\$5.3 million. Prior to Completion, the audited net assets value of the Group was approximately HK\$327 million as at 31 March 2005. As stated in the “Letter from the Board” in the Circular, the unaudited net liabilities of Rongzhong BVI as at 31 March 2005 were approximately HK\$5.3 million. The Directors (including the independent non-executive Directors) believe that the net assets value of the Group will decrease upon Completion. Although the financial position of the Rongzhong Group is not so satisfactory as revealed in its financial statements, the Directors (including the independent non-executive Directors) are of the view that the provision of management and consultancy services to loan guarantee business that the Rongzhong Group is currently engaging may have a synergetic effect on the existing businesses of the Group. We agree this view with the Directors (including the independent non-executive Directors) as the Group will be benefited from the centralisation of the business operations of the Group after Completion. In light of the above, we concur with the view of the Directors (including the independent non-executive Directors) that the benefits of entering into the Agreement will outweigh the negative effects of the decrease in the net assets value of the Group. Hence, we consider that entering into the Agreement is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

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2. *Earnings*

After Completion, the share of the profit or loss by the Group in the Rongzhong Group will be increased from 40% to 51% which will be also consolidated into the accounts of the Group. Although Rongzhong BVI had incurred loss of approximately HK\$5.3 million since 3 March 2004 (the incorporation date) to 31 March 2005, the Directors (including the independent non-executive Directors) believe that it would be normal for a new operating company to record a loss at the preliminary stage. We have discussed with the Directors and note that, since the Rongzhong Group has been under the restructuring after signing of the Subscription Agreement, it is reasonable to allow an adequate period of time for the Rongzhong Group to grow in the industry. We would like to draw the Shareholders' attention that, consolidation of the accounts of the Rongzhong Group into the accounts of the Group may have an adverse effect on the Group's earnings in the short run. However, we note from the Directors that the purpose of the acquisition of the Sale Shares is to increase the participation in the provision of management and consultancy services to loan guarantee businesses in the PRC in the long run. Taking into account of the prospective growth of the loan guarantee business and the steady growth of the PRC economy, we concur with the view of the Directors (including the independent non-executive Directors) that entering into the Agreement is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

3. *Gearing*

According to the consolidated balance sheet of the Group as at 31 March 2005, the Group has secured bank borrowings of approximately HK\$178 million and the unutilised banking facility of HK\$66 million granted by a bank in Hong Kong which was secured by the pledged deposits of US\$2.56 million (approximately HK\$20 million). Based on the latest audited consolidated balance sheet of the Group, the gearing ratio of the Group (total liabilities to total assets) was 48.01% as at 31 March 2005. Upon Completion and Rongzhong BVI had drawn down the Loan, the total liabilities and the gearing ratio of the Group would be increased. As stated in the "Reasons for entering into the Loan Agreement and Agreement" above, we note that the Directors (including the independent non-executive Directors) have the clear strategies to continuously expand the provision of management and investment consultancy services to the loan guarantee businesses in the PRC in the future. We also confirm with the Directors that the Directors will keep monitoring the business and financial operations and will take appropriate measures to govern the internal control of the Rongzhong Group. In view of the above factors, we are of the opinion that entering into the Agreement will not cause any material adverse impact on the Group's financial position. We concur with the view of the Directors (including the independent non-executive Directors) that entering into the Agreement is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

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4. *Liquidity and working capital*

As at 31 March 2005, the cash and cash equivalents of the Group were approximately HK\$13.31 million, representing an increase of approximately HK\$3.73 million or 38.93% as compared with that as at 31 March 2004, which was approximately HK\$9.58 million. As at 31 March 2005, the Group had an unutilised banking facility of HK\$66 million granted by a bank in Hong Kong which was secured by the pledged deposits of approximately US\$2.56 million (approximately HK\$20 million) and its interest. We understand from the management of the Group that the loan withdrawn on the banking facility is classified as short-term liabilities. The Directors (including the independent non-executive Directors) believe that the bank will not demand repayment in the near term as the banking facility is a revolving loan and they have a good relationship with the existing bank. Since the Group has granted the Loan to Rongzhong BVI, the Directors (including the independent non-executive Directors) therefore consider that the current assets and current liabilities of the Group have been increased. We have reviewed the unaudited consolidated balance sheet of the Rongzhong Group as at 31 March 2005 and note that the cash and bank balances were approximately HK\$31.13 million. The Directors had confirmed with us that there were no adverse changes to this amount as at the Latest Practicable Date. According to the annual report of the Group for the year ended 31 March 2005, the Rongzhong Group had a capital commitment of RMB37 million to acquire two companies by Rongzhong Investment Company Limited (“Investment Company”) as at 31 March 2005. The Directors confirm that the acquisition of one of the companies was completed in April 2005, while the acquisition of another company has been authorized by the board of directors but not yet contracted. We have discussed with the management of the Group and note that the accounts of that acquired company was booked into the accounts of the Rongzhong Group. We were informed by the management of the Group that no concrete agreement has been signed for the acquisition of another company and the funding for such acquisition has not yet been determined. In this regard, we cannot comment on the effect on the financial position of the Group.

Upon Completion, the Rongzhong Group will be a subsidiary of the Group and the cash position of the Rongzhong Group will be consolidated into the Group. We believe that the cash position of the Group would be strengthened after the consolidation of the accounts of the Rongzhong Group into the Group’s accounts. Taking into account of the growing prospects of the management and consultancy services to loan guarantee businesses and the expertise of Mr. Xie, we concur with the view of the Directors (including the independent non-executive Directors) that the Group can capture the business growth in the event that the business of the Rongzhong Group turns around. In light of the above, we are of the opinion that the terms of the Agreement are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

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CONCLUSION

Having taken into consideration (i) the takeover of the board control of Rongzhong BVI with the aim to improve the performance of the Rongzhong Group; (ii) the growth potential of the management and investment consultancy services to the loan guarantee businesses in the PRC; (iii) the professional expertise of Mr. Xie; (iv) the financial effects of entering the Agreement and the Loan Agreement on the Group, we consider that the provision of the Loan and the acquisition of the Sale Shares are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and the terms of the Agreement and the Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Despite the fact that the consolidation of the accounts of the Rongzhong Group may have adverse effect on the profit and loss account of the Group in the short run unless the Rongzhong's performance improves in the future, we concur with the view of the Directors (including the independent non-executive Directors) that the provision of the Loan and the acquisition of the Sale Shares will increase the participation in the prospective growth of the provision of management and consultancy services to loan guarantee businesses in the PRC. If a Shareholders' meeting were to be convened, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the relevant resolutions to approve the Loan Agreement, the Agreement and the respective transactions thereunder.

Yours faithfully,
For and on behalf of
Baron Capital Limited
Lin Wai Yan, Monica
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and that there are no other facts the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF INTERESTS

A. Interests of Directors and chief executive in securities

As at the Latest Practicable Date, save as disclosed herein, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”), to be notified to the Company and the Stock Exchange:

(i) Long positions in Shares

Name of Director	Nature of interest	Number of Shares	Approximate shareholding percentage
Mr. Wong Yu Lung, Charles (“Mr. Wong”)	Corporate	497,232,000 <i>(Note 1)</i>	29.91%
Mr. Kee Wah Sze (“Mr. Kee”)	Corporate	405,889,643 <i>(Note 2)</i>	24.42%
Mr. Ko Po Ming (“Mr. Ko”)	Corporate	65,881,800 <i>(Note 3)</i>	3.96%
Mr. Ding Chung Keung, Vincent (“Mr. Ding”)	Personal	2,600,000	0.16%
Mr. Melvin Jitsumi Shiraki	Personal	2,100,000	0.13%

Notes:

- These Shares were held by Allied Luck Trading Limited, which is owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong Fang Pik Chun (“Mrs. Wong”), the spouse of Mr. Wong. Mr. Wong was deemed to be interested in all these Shares by virtue of his shareholding interests in Allied Luck Trading Limited.

2. These Shares were held as to 67,001,300 Shares by Canasia Profits Corporation (which is wholly owned by Mr. Kee) and as to 338,888,343 Shares by Ace Solomon Investments Limited (which is owned as to 89% by Mr. Kee and as to 11% by Mr. Wong), Mr. Kee was deemed to be interested in all these Shares by virtue of his respective shareholding interests in Canasia Profits Corporation and Ace Solomon Investments Limited.
3. These Shares were held by Sparkle Power Technology Limited, which is owned as to 50% by Mr. Ko and as to 50% by an individual who was a former Director from January 2003 to May 2005. Mr. Ko was deemed to be interested in all these Shares by virtue of his shareholding interests in Sparkle Power Technology Limited.

(ii) *Interests in underlying Shares pursuant to convertible notes*

Name of Director	Long position/short position	Nature of interest	Underlying Shares pursuant to convertible notes	Date of issue of convertible note	Exercise price per Share (subject to adjustment)	Exercise period	Approximate % of the enlarged issued share capital of the Company (upon issue of Shares under convertible notes) (Note 3)
Mr. Wong	Long position	Corporate	411,764,705 (Note 1)	5 August 2004	HK\$0.170	5 August 2004 to 3 August 2007	17.85%
Mr. Kee	Long position	Corporate	232,558,140 (Note 2)	31 December 2004	HK\$0.129	31 December 2004 to 3 August 2007	10.08%

Notes:

1. The convertible note was held by Wah Link Investments Limited, a company owned as to 99.9996% by Golden Cloud Holdings Group Limited and 0.0004% by Gold Choice Management Limited. Each of Golden Cloud Holdings Group Limited and Gold Choice Management Limited is directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong, and 49% by Mrs. Wong. Mr. Wong was taken to be interested in the underlying Shares under the SFO.
2. The convertible note was held by Goldbond Capital Investment Holdings Limited, a company wholly owned by Legend (Asia Pacific) Investment Limited, which in turn, is owned as to 90% by Grace Honour Limited (which is wholly owned by Mr. Kee) and as to 10% by Central Executive Limited (which is wholly owned by Mr. Wong). Mr. Kee was taken to be interested in the underlying Shares under the SFO.
3. Assuming the aforesaid convertible notes but no other option or convertible notes (if any) are being fully exercised.

(iii) Interests in underlying Shares pursuant to share options

Name of Director	Nature of interest	No. of share options granted	Date of grant	Exercise price	Exercise period
Mr. Ding	Personal	16,000,000	8 November 2004	HK\$0.148	1 January 2007 to 7 November 2014
Mr. Kee	Personal	16,000,000	8 November 2004	HK\$0.148	1 January 2007 to 7 November 2014
Mr. Ko	Personal	16,000,000	8 November 2004	HK\$0.148	1 January 2007 to 7 November 2014
Mr. Lan Ning	Personal	16,000,000	8 November 2004	HK\$0.148	1 January 2007 to 7 November 2014
Mr. Wong	Personal	16,000,000	8 November 2004	HK\$0.148	1 January 2007 to 7 November 2014

(iv) Interests in shares in the associated corporation

Name of Director	Nature of interest	Number of ordinary shares in Goldbond Capital Holdings Limited	Percentage of the issued share capital
Mr. Kee	Corporate	69,375,000	46.25%
Mr. Ko	Corporate	27,187,500	18.13%

B. Substantial shareholders of the Company

As at the Latest Practicable Date, save as disclosed below, so far as known to the Directors and chief executive of the Company, no person (other than a Director or chief executive of the Company) had any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

(i) Long positions in Shares

Name	Number of Shares	Approximate shareholding percentage
Allied Luck Trading Limited (<i>Note 1</i>)	497,232,000	29.91%
Mrs. Wong	497,232,000 (<i>Note 2</i>)	29.91%
Mrs. Kee Yip Yue Lin, Loolina ("Mrs. Kee")	405,889,643 (<i>Note 3</i>)	24.42%
Ace Solomon Investments Limited (<i>Note 4</i>)	338,888,343	20.39%

Notes:

- Allied Luck Trading Limited is owned as to 50% by Mr. Wong and as to 50% by Mrs. Wong.
- Mrs. Wong was deemed to be interested in such Shares by virtue of her and her spouse's shareholding interests in Allied Luck Trading Limited.
- Mrs. Kee was taken to be interested in such Shares under the SFO by virtue of her spouse, Mr. Kee's shareholding interests in Canasia Profits Corporation and Ace Solomon Investments Limited. Out of those Shares, 338,888,343 Shares were held by Ace Solomon Investments Limited (*Note 4*).
- Ace Solomon Investments Limited is owned as to 11% by Mr. Wong and as to 89% by Mr. Kee, both being Directors.

(ii) Interests in underlying Shares pursuant to convertible notes

Name	Long position/short position	Underlying Shares pursuant to convertible notes issued/ to be issued <i>(Note 1)</i>	Date of issue of convertible note	Exercise price (subject to adjustment) per Share	Exercise period	Approximate % of the enlarged issued share capital of the Company (upon issue of Shares under convertible notes) <i>(Note 3)</i>
Wah Link Investments Limited	Long position	411,764,705 <i>(Note 1)</i>	5 August 2004	HK\$0.170	5 August 2004 to 3 August 2007	17.85%
Golden Cloud Holdings Group Limited	Long position	411,764,705 <i>(Note 1)</i>	5 August 2004	HK\$0.170	5 August 2004 to 3 August 2007	17.85%
Mrs. Wong	Long position	411,764,705 <i>(Note 1)</i>	5 August 2004	HK\$0.170	5 August 2004 to 3 August 2007	17.85%
Mr. Wong Yu Hung, Davy	Long position	411,764,705 <i>(Note 1)</i>	5 August 2004	HK\$0.170	5 August 2004 to 3 August 2007	17.85%
Goldbond Capital Investment Holdings Limited	Long position	232,558,140 <i>(Note 2)</i>	31 December 2004	HK\$0.129	31 December 2004 to 3 August 2007	10.08%
Legend (Asia Pacific) Investment Limited	Long position	232,558,140 <i>(Note 2)</i>	31 December 2004	HK\$0.129	31 December 2004 to 3 August 2007	10.08%
Grace Honour Limited	Long position	232,558,140 <i>(Note 2)</i>	31 December 2004	HK\$0.129	31 December 2004 to 3 August 2007	10.08%
Mrs. Kee	Long position	232,558,140 <i>(Note 2)</i>	31 December 2004	HK\$0.129	31 December 2004 to 3 August 2007	10.08%

Notes:

- The convertible note was held by Wah Link Investments Limited, a company owned as to 99.9996% by Golden Cloud Holdings Group Limited and 0.0004% by Gold Choice Management Limited. Each of Golden Cloud Holdings Group Limited and Gold Choice Management Limited is directly owned as to 51% by Mr. Wong Yu Hung, Davy, a family member of Mr. Wong and as to 49% by Mrs. Wong. Each of Golden Cloud Holdings Group Limited, Mrs. Wong and Mr. Wong Yu Hung, Davy was respectively taken to have an interest in the underlying Shares under the SFO.
- The convertible note was held by Goldbond Capital Investment Holdings Limited, a company wholly owned by Legend (Asia Pacific) Investment Limited, which in turn, is owned as to 90% by Grace Honour Limited (which is wholly owned by Mr. Kee) and as to 10% by Central Executive Limited (which is wholly owned by Mr. Wong). Each of Legend (Asia Pacific) Investment Limited, Grace Honour Limited and Mrs. Kee (the spouse of Mr. Kee) was taken to have an interest in the underlying Shares under the SFO.
- Assuming the aforesaid convertible notes but no other option or convertible notes (if any) are being fully exercised.

(iii) Interests in underlying Shares pursuant to share options

Name	Nature of interest	No. of share options granted	Date of grant	Exercise price	Exercise period
Mrs. Kee	Family (Note 1)	16,000,000	8 November 2004	HK\$0.148	1 January 2007 to 7 November 2014
Mrs. Wong	Family (Note 2)	16,000,000	8 November 2004	HK\$0.148	1 January 2007 to 7 November 2014

Notes:

1. The share options were held by Mr. Kee, the spouse of Mrs. Kee and as such, she was deemed to be interested in such share options under the SFO.
2. The share options were held by Mr. Wong, the spouse of Mrs. Wong and as such, she was deemed to be interested in such share options under the SFO.

- C. As at the Latest Practicable Date, save as disclosed below, none of the Directors is a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Mr. Kee	Ace Solomon Investments Limited	Director
	Grace Honour Limited	Director
	Goldbond Capital Investment Holdings Limited	Director
	Legend (Asia Pacific) Investment Limited	Director
Mr. Wong	Ace Solomon Investments Limited	Director
	Allied Luck Trading Limited	Director
	Goldbond Capital Investment Holdings Limited	Director
	Golden Cloud Holdings Group Limited	Director
	Legend (Asia Pacific) Investment Limited	Director

- D. Pursuant to a tenancy agreement dated 18 April 2005, the Company leased a property as its office, details of which have been set out in the announcement of the Company dated 19 April 2005. The properties are owned by a company that is beneficially owned by Mrs. Wong, and a close relative of Mr. Wong and have been used by the Company since June 2004. Save as disclosed above, there is no other contract or arrangement subsisting at the date of this circular in which a Director is materially interested and which is significant to the business of the Group.

Save as disclosed above, none of the Directors has or has had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2005, being the date to which the latest published audited accounts of the Company were made up.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interest in a business which competes or may compete with the business of the Group.

4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

5. LITIGATION

So far as the Directors were aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

6. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2005, the date to which the latest published audited consolidated financial statements of the Company were made up.

7. EXPERT

- (a) The following is the qualification of the expert which has given its report, opinion or advice which is contained in this circular:

Name	Qualifications
Baron Capital Limited	A licensed corporation under the SFO to carry out types 1 and 6 regulated activities

- (b) As at the Latest Practicable Date, Baron did not have any direct or indirect shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (c) Baron has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) Baron does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2005, the date to which the latest published audited financial statements of the Company were made up.
- (e) The letter and recommendation from Baron is given as of the date of this circular for incorporation herein.

8. GENERAL

- (a) The secretary of the Company is Mr. Ding, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) The qualified accountant of the Company is Ms. Lin Fung Yi, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (c) The Company's registered and principal office is at Unit 3901A, 39th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at Unit 3901A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong during normal office hours on any weekday, except public holidays, from the date of this circular up to and including 10 August 2005;

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 11 of this circular;
- (b) the letter of advice from Baron to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 22 of this circular;
- (c) the written consent referred to in the section headed "Expert" in paragraph 7 of this appendix;
- (d) the Agreement; and
- (e) the Loan Agreement.