

## **PROPOSED CAPITAL REORGANISATION, CREDITORS' SCHEME OF ARRANGEMENT, OPEN OFFER AND APPLICATION FOR WHITELASH WAIVER**

In response to summary judgment awarded against the Company and the statutory demand by Mr. Siu, the Company announced on 2 September 2003 that the board of directors proposed that the Company:

- (i) implement a capital reorganisation of the Company ("Capital Reorganisation") which will involve (a) a reduction in the nominal value of each issued share from HK\$0.10 to HK\$0.0005; (b) a subdivision of each authorised and unissued share into 200 adjusted shares of HK\$0.0005 each; (c) cancellation of the entire amount standing to the credit of the share premium account of the Company; and (d) consolidation of every 20 adjusted shares of HK\$0.0005 each into 1 consolidated share of HK\$0.01 each ("Consolidated Share");
- (ii) implement a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda and under section 166 of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) between the Company and the scheme creditors (the "Creditors' Scheme") which will result in the indebtedness and liabilities owing to scheme creditors ("Total Indebtedness") as at the date for determination of entitlements of the scheme creditors (the "Scheme Record Date") being discharged in full and final settlement by way of a combination of the cash payment and the issuance of Consolidated Shares ("Creditors Shares") to the scheme creditors. Pursuant to the Creditors' Scheme, for every HK\$1 of valid claim, the Scheme Creditors will receive (a) cash payment of not more than HK\$0.1; and (b) not more than 1.5 Creditors Shares (the exact amount of cash payment and number of Creditors Shares will depend on the amount of Total Indebtedness as at the Scheme Record Date) which will be issued credited as fully paid at HK\$0.1 per Creditors Share; and
- (iii) raise a minimum of approximately HK\$23.1 million (before expenses) by way of the issue of not less than 512,308,705 new Consolidated Shares ("Offer Shares") on the basis of an assured allotment of five Offer Shares for the equivalent of every Consolidated Share held by shareholders other than overseas shareholders (the "Qualifying Shareholders") at the subscription price of HK\$0.045 per Offer Share (the "Open Offer"). Qualifying Shareholders will not be allotted any Offer Shares in excess of their assured allotments.

The implementation of the Capital Reorganisation, the Creditors' Scheme and the Open Offer is inter-conditional to each other.

Euro Concord Assets Limited ("Euro Concord"), which is wholly and beneficially owned by Mr. Tam, an executive director of the Company, currently holds 215,000,000 shares (equivalent to 10,750,000 Consolidated Shares), representing approximately 10.49% of the existing issued share capital of the Company. Euro Concord has irrevocably undertaken to the Company to apply or procure applications for its full assured allotment under the Open Offer, amounting to 53,750,000 Offer Shares.

Main Faith Limited ("Main Faith"), which is also wholly and beneficially owned by Mr. Tam, has agreed to underwrite the Open Offer (the "Underwriter"). In the event that Main Faith is required to subscribe in full the underwritten shares pursuant to the Underwriting Agreement, the shareholding of Mr. Tam would increase from approximately 10.49% to approximately 67.4% of the issued share capital of the Company as enlarged by the Creditors Shares and the Offer Shares. An application will be made by Mr. Tam to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission ("Executive") for a waiver from the obligation to make a mandatory offer under Rule 26 of The Hong Kong Code on Takeovers and Mergers (the "Code") pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Code ("Whitewash waiver"). The Open Offer is subject to the satisfaction of certain conditions, in particular, it is subject to, among other things, the Capital Reorganisation and the Creditors' Scheme becoming unconditional, the Whitewash Waiver being granted by the Executive and the Underwriter not terminating the Underwriting Agreement in accordance with its terms.

## **EMPLOYEE**

As of 30 June 2003, the Group had approximately 18 employees (2002: 15 employees) in Hong Kong, the PRC and Singapore offices. The Group established a share option scheme for executive directors and employees so as to motivate them to achieve the Group's business performance target.