
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Wonderful World Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the 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 the transferee.

This circular is addressed to the shareholders of Wonderful World Holdings Limited in connection with a special general meeting of Wonderful World Holdings Limited to be held on 18th February, 2004. This circular does not constitute an offer of, and is not calculated to invite offers for, shares or other securities of Wonderful World Holdings Limited.

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WONDERFUL WORLD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

- (1) PROPOSED OPEN OFFER OF NEW SHARES TO QUALIFYING SHAREHOLDERS ON THE BASIS OF TWO OFFER SHARES FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE;
- (2) PROPOSED GRANT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;
- (3) PROPOSED CHANGE OF CHINESE NAME; AND
- (4) PROPOSED CHANGE OF AUDITORS

Financial Adviser to Wonderful World Holdings Limited



SUN HUNG KAI INTERNATIONAL LIMITED

Independent Financial Adviser to the Independent Board Committee



A letter from the Independent Board Committee of Wonderful World Holdings Limited containing its recommendation in respect of the Open Offer is set out on page 20 of this circular. A letter from CSC Asia Limited containing its advice to the Independent Board Committee of Wonderful World Holdings Limited in respect of the proposed Open Offer is set out on pages 21 to 31 of this circular.

A notice convening a special general meeting of the shareholders of Wonderful World Holdings Limited to be held at 10:00 a.m. on 18th February, 2004 at 1408, 14/F Dina House, Ruttonjee Centre, No. 11 Duddell Street, Central, Hong Kong is set out on pages 78 to 83 of this circular. There is a form of proxy for use at the special general meeting of Wonderful World Holdings Limited accompanying this circular. If you are not able to attend the meeting, you are requested to complete and return the accompanying form of proxy to the share registrar and transfer office of Wonderful World Holdings Limited, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

It should be noted that the Underwriting Agreement contains certain provisions granting the Underwriter the right to terminate the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on 5th March, 2004 if Wonderful World Holdings Limited commits any material breach of any of the obligations, undertakings, representations and warranties contained in the Underwriting Agreement. If the Underwriter exercises such right, the obligations of the Underwriter under the Underwriting Agreement shall cease and the Open Offer will not proceed.

The Open Offer is expected to become unconditional on or before 5th March, 2004 (or such later date as Wonderful World Holdings Limited may agree with the Underwriter). It should be noted that the Shares will be dealt on an ex-entitlement basis from 12th February, 2004. Any person dealing in the Shares before all the conditions as set out on page 13 of this circular are fulfilled will bear the risk that the Open Offer may not become unconditional and may not proceed.

2nd February, 2004

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EXPECTED TIMETABLE

, 2004

Last day of dealings in Shares on a cum-entitlement basis	Wednesday, 11th February
First day of dealings in Shares on an ex-entitlement basis	Thursday, 12th February
Latest time for lodging transfers of Shares accompanied by the relevant title documents in order to qualify for the Open Offer	4:30 p.m. on Friday, 13th February
Latest time for lodging forms of proxy for the SGM	10:00 a.m. on Monday, 16th February
Register of members closed (both dates inclusive)	Monday, 16th February to Wednesday, 18th February
SGM	10:00 a.m. on Wednesday, 18th February
Record Date for the Open Offer	Wednesday, 18th February
Despatch of the Prospectus Documents	Wednesday, 18th February
Announcement of results of the SGM	Thursday, 19th February
Register of members re-opens	Thursday, 19th February
Latest time for payment and acceptance of Offer Shares	4:00 p.m. on Wednesday, 3rd March
Open Offer expected to become unconditional on or around	Friday, 5th March
Announcement of results of the Open Offer published in newspapers on or around.	Tuesday, 9th March
Certificates for Offer Shares expected to be despatched on or around	Wednesday, 10th March
Dealings in fully-paid Offer Shares expected to commence on	Friday, 12th March

Dates or deadlines specified in this circular for events in the timetable for (or otherwise in relation to) the Open Offer are indicative only and may be extended or varied by agreement between the Company and the Underwriter. Any consequential changes to the above expected timetable will be published by way of public announcements.

DEFINITIONS

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

“Announcement”	the announcement made by the Company on 13th January, 2004 regarding amongst others, the Open Offer
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	day(s) on which licensed banks are open for business in Hong Kong (excluding Saturdays)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Wonderful World Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange
“CSC Asia”	CSC Asia Limited, which is a corporation licensed to undertake type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and being the independent financial adviser to the Independent Board Committee in relation to the Open Offer
“Director(s)”	the directors of the Company
“General Mandate”	the proposed mandate to be sought at the SGM to authorise the Directors to allot and issue new Shares in the manner set out in resolution no. 2 in the notice of SGM included in this circular
“Group”	the Company and its subsidiaries (as defined in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong))
“HKSCC”	Hong Kong Securities and Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Mr. Lee Hong Chak, Heili and Ms. Hwang Sok In for the purpose of advising the Independent Shareholders on the Open Offer
“Independent Shareholder(s)”	Shareholders other than Winning Concept and its associates
“Latest Practicable Date”	30th January, 2004, 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
“Mr. Liu”	Mr. Liu Ka Lim, a director and shareholder of Winning Concept, holding 11% interests in Winning Concept
“Ms. Lam”	Ms. Ada Lam, a director and shareholder of Winning Concept, holding 89% interests in Winning Concept
“Offer Share(s)”	the 283,200,000 Shares to be issued under the Open Offer
“Open Offer”	the proposed open offer of two Offer Shares for every existing Share held
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the close of business on the Record Date and whose registered address(es) as shown on such register is(are) outside Hong Kong where, in the opinion of Directors, the Offer Shares may not be offered to them without compliance with registration and/or other legal or regulatory requirements in such jurisdictions
“Prospectus”	a prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the form of application in respect of the assured allotment for the Offer Shares
“PRC”	the People’s Republic of China excluding Hong Kong

DEFINITIONS

“Qualifying Shareholder(s)”	the Shareholder(s), other than the Overseas Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es), as shown on such register of members of the Company is(are) in Hong Kong
“Record Date”	18th February, 2004, being the date by reference to which entitlements under the Open Offer will be determined
“Repurchase Mandate”	the proposed general mandate to be sought at the SGM to authorise the Directors to repurchase Shares in the manner set out in resolution no. 3 in the notice of SGM included in this circular
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on Wednesday, 18th February, 2004 to approve, amongst others, the Open Offer
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.12 per Offer Share
“Sun Hung Kai”	Sun Hung Kai International Limited, which is a corporation licensed to undertake type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and being the financial adviser to the Company in relation to the Open Offer

DEFINITIONS

“Underwriter” or “Winning Concept”	Winning Concept Investments Limited, a company incorporated in the British Virgin Islands with limited liability, the share capital of which is beneficially owned as to 89% by Ms. Lam and as to 11% by Mr. Liu, respectively
“Underwriting Agreement”	the underwriting agreement dated 8th January, 2004 and the supplemental agreement dated 13th January, 2004 made between the Company and the Underwriter
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



WONDERFUL WORLD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Liu Ka Lim
Ms. Ada Lam
Mr. Yeung Wood Sang
Mr. Wong Wing Cheong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Lee Hong Chak, Heili
Ms. Hwang Sok In

*Head office and principal place
of business in Hong Kong:*

1408, 14/F Dina House
Ruttonjee Centre
No. 11 Duddell Street
Central
Hong Kong

2nd February, 2004

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED OPEN OFFER OF NEW SHARES TO
QUALIFYING SHAREHOLDERS
ON THE BASIS OF TWO OFFER SHARES
FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE;**
**(2) PROPOSED GRANT OF GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES;**
(3) PROPOSED CHANGE OF CHINESE NAME; AND
(4) PROPOSED CHANGE OF AUDITORS

INTRODUCTION

It was announced on 13th January, 2004 that the Board intended to put forward proposals to the Shareholders in relation to (1) the Open Offer; (2) the grant of general mandates to issue and repurchase Shares; (3) the change of Chinese name; and (4) the change of auditors of the Company.

LETTER FROM THE BOARD

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Open Offer. CSC Asia has been appointed as the independent financial adviser to advise the Independent Board Committee in this respect. The purpose of this circular is to provide you with further information regarding, amongst others, the proposed Open Offer, the proposed grant of general mandates to issue and repurchase Shares, the proposed change of Chinese name and the proposed change of auditors of the Company, the financial and other information of the Group, to set out the advice of CSC Asia to the Independent Board Committee in respect of the Open Offer, the recommendation of the Independent Board Committee to the Shareholders; and the notice of the SGM, which shall be convened for the purpose of considering and, if thought fit, approving the resolutions in relation to the aforesaid proposals.

Warning of the risks of dealing in Shares

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement have not been fulfilled in accordance with the terms thereof, the Open Offer will not proceed. Shareholders and potential investors should therefore exercise caution when dealings in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Thursday, 12th February, 2004 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealings in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Friday, 5th March, 2004), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

PROPOSED OPEN OFFER

Details of the Open Offer are set out below:

Issue statistics

Basis of the Open Offer:	Two Offer Shares for every existing Share held by each Qualifying Shareholder as at the Record Date at the Subscription Price
Number of Shares in issue:	141,600,000 Shares as at the Latest Practicable Date
Number of Offer Shares:	283,200,000 Shares
Subscription price per Offer Share:	HK\$0.12

LETTER FROM THE BOARD

As at the Latest Practicable Date there were no outstanding options, warrants, convertible securities or securities of the Company carrying rights to subscribe for or purchase Shares. The Company has confirmed that it does not intend to issue any securities on or before the Record Date.

Qualifying Shareholders

Subject to obtaining the approval of the Open Offer by the Shareholders at the SGM, the Company will send the Prospectus Documents to the Qualifying Shareholders only and, for information only, the Prospectus to the Overseas Shareholders.

To qualify for the Open Offer, a Shareholder must:

1. be registered as a member of the Company on the Record Date; and
2. have an address in Hong Kong which appears on the register of members of the Company on the Record Date.

In order to be registered as members on the Record Date, Shareholders must lodge any transfer of Shares (together with the relevant share certificates) with the Company's branch share registrar and transfer office in Hong Kong, **Tengis Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:30 p.m. on Friday, 13th February, 2004** pursuant to the expected timetable.

The invitation to apply for the Offer Shares is not transferable or capable of renunciation and there will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange.

The Company will send the assured allotment letters in respect of the Offer Shares to the Qualifying Shareholders only.

Closure of register of members

The register of members of the Company will be closed from Monday, 16th February, 2004 to Wednesday, 18th February, 2004, both dates inclusive, pursuant to the expected timetable. No transfers of Shares will be registered during this period.

LETTER FROM THE BOARD

Subscription Price

HK\$0.12 per Offer Share is payable in full upon acceptance of the assured allotments. The Subscription Price represents:

- a discount of approximately 51.02% to the closing price of HK\$0.245 per Share as quoted on the Stock Exchange on 6th January, 2004 (being the last trading day immediately prior to the date of the Announcement);
- a discount of 50% to the average closing price of HK\$0.24 per Share based on the daily closing prices as quoted on the Stock Exchange over the last 10 trading days up to and including 6th January, 2004 (being the last trading day immediately prior to the date of the Announcement);
- a discount of approximately 25.93% to the theoretical ex-entitlement price of approximately HK\$0.162 per Share based on the closing price per Share as quoted on the Stock Exchange on 6th January, 2004 (being the last trading day immediately prior to the date of the Announcement);
- a discount of approximately 82.76% to the audited consolidated net asset value of HK\$0.696 per Share as at 30th June, 2003 based on the audited consolidated financial statements of the Group made up to 30th June, 2003; and
- a discount of approximately 42.86% to the closing price of HK\$0.21 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price has been determined with reference to the prevailing market prices of the Shares. The Directors consider the Subscription Price is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Status of the Offer Shares

The Offer Shares (when issued, allotted and fully paid) will rank pari passu with the then issued Shares in all respects. Holders of the fully-paid Offer Shares will be entitled to receive all future dividends and distribution which may be declared, made or paid after the date of issue and allotment of the Offer Shares.

Fractions of Offer Shares

According to the basis of the Open Offer, there will not be any allotment of fractions of the Offer Shares. The Offer Shares to which the Overseas Shareholders would otherwise have been entitled to under the Open Offer will be taken up by the Underwriter.

LETTER FROM THE BOARD

Shares certificates

Subject to the fulfillment of the conditions of the Open Offer, certificates for all the fully-paid Offer Shares are expected to be posted to those who have accepted and paid for the Offer Shares at their risk on or before Wednesday, 10th March, 2004.

No application for excess Offer Shares

In view of the fact that Winning Concept as the Underwriter is willing to underwrite 137,806,248 Open Offer Shares at no underwriting commission which in turn reduces the finance cost of the Company, and in order to balance the risks and rewards borne by Winning Concept, therefore after arm's length negotiation with Winning Concept, the Company has decided that no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlements.

Rights of the Overseas Shareholders

If on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, that Shareholder cannot take part in the Open Offer as documents to be issued in connection with the Open Offer will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. The issue of Offer Shares to an Overseas Shareholder may therefore contravene the applicable securities legislation of the place of residence of such Overseas Shareholder. Accordingly, the Overseas Shareholders will not qualify for the Open Offer. As the Directors are of the view that the offer of the Offer Shares to Overseas Shareholders would or might, in the absence of compliance with registration or other special formalities in other jurisdictions, be unlawful or impracticable, the Company will send the Prospectus to Overseas Shareholders for their information only but no form of application for the Offer Shares will be sent to the Overseas Shareholders.

Listing and dealing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares which may be issued pursuant to the Open Offer. Dealings in the Offer Shares are expected to commence on 12th March, 2004. No part of the securities of the Group are listed or dealt in on any stock exchanges other than the Stock Exchange, nor is the listing of, or permission to deal in, the Company's securities on any other stock exchanges being or proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such

LETTER FROM THE BOARD

other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading date is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Offer Shares are expected to be traded in board lots of 2,500 Shares. Dealings in the Offer Shares will be subject to the payment of the applicable stamp duty, Stock Exchange trading fee, the SFC transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Permission of the Bermuda Monetary Authority

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereafter) has been received from Bermuda Monetary Authority in respect of the issue of the Offer Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement of the listing of the Offer Shares on the Stock Exchange. In granting such permission and in the Prospectus Documents for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies of Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in the Prospectus Documents.

THE UNDERWRITING AGREEMENT

Date:	8th January, 2004 (as supplemented by the supplemental agreement dated 13th January, 2004 made between the Company and the Underwriter)
Underwriter:	Winning Concept, the substantial Shareholder of the Company and is a company incorporated in British Virgin Islands which is beneficially owned as to 89% by Ms. Lam and 11% by Mr. Liu, both of them are Directors
Total number of Offer Shares underwritten:	137,806,248 Offer Shares (i.e. all the Offer Shares other than those for which Winning Concept has irrevocably undertaken to subscribe)
Commission:	Nil

LETTER FROM THE BOARD

The Underwriting Agreement is a connected transaction of the Company which is exempted from shareholders approval requirements pursuant to Rule 14.24(6)(c) of the Listing Rules.

Undertaking by Winning Concept

As at the Latest Practicable Date, Winning Concept being the substantial Shareholder held 72,696,876 Shares, representing approximately 51.34% of the issued share capital of the Company. Winning Concept has irrevocably undertaken to the Company that the Shares beneficially owned by it will remain registered in its name from the date of the Announcement up to the Record Date and it has also undertaken to subscribe or procure subscribers for its provisional entitlements in full, amounting to 145,393,752 Offer Shares.

Besides undertaking to subscribe or procure subscribers for its provisional entitlements in full, amounting to 145,393,752 Offer Shares, Winning Concept also acts as the Underwriter and will fully underwrite all the other Offer Shares which have not been undertaken to subscribe or procure subscribers by Winning Concept. In the event that Winning Concept is called upon to fulfil its underwriting obligations under the Underwriting Agreement in full, the shareholding of Winning Concept in the issued share capital of the Company as enlarged by the Open Offer would be increased from approximately 51.34% to approximately 83.78%.

Underwriting fee

The Company shall pay to the Underwriter only costs and expenses reasonably and properly incurred by the Underwriter for and in connection with the underwriting of the 137,806,248 Open Offer Shares and the negotiation and execution of the Underwriting Agreement. No underwriting commission will be paid by the Company to the Underwriter.

Termination of the Underwriting Agreement

If (a) any of the conditions to the Underwriting Agreement are not fulfilled on or before 4:00 p.m. on the second Business Day after the latest time for acceptance of the Open Offer, i.e. 4:00 p.m. on 5th March, 2004 or shall become incapable of being fulfilled on or before such time or date, or such later date as the Company and the Underwriter may agree in writing; or (b) any of the terms of the Underwriting Agreement is breached, the Underwriter shall have the right to terminate the Underwriting Agreement by written notice upon which the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate and cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of any antecedent breach of any obligation under the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement have not been fulfilled in accordance with the terms thereof, the Open Offer will not proceed.

LETTER FROM THE BOARD

Conditions of the Open Offer

The Open Offer is conditional upon, among other things, each of the following events:

- (i) the approval of the Open Offer by the Shareholders other than Winning Concept and its associates at the SGM;
- (ii) the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in accordance with the Companies Act;
- (iii) the delivery to the Stock Exchange and filing and registration of all relevant documents with the Registrar of Companies in Hong Kong;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Offer Shares;
- (v) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional in accordance with its terms; and
- (vi) compliance with all legal and regulatory requirements (including but not limited to approval of the Shareholders other than Winning Concept and its associates) (if any) in respect of the Open Offer.

Neither the Company nor the Underwriter may waive any of the conditions above.

Shareholding structure of the Company

Upon completion of the Open Offer and assuming that the Underwriter has to fulfil its obligation in full, the shareholding structure of the Company will be as follows:

	Existing structure		Immediately after completion of the Open Offer (assuming that the Underwriter has to fulfil its obligation in full)	
	No. of Shares	%	No. of Shares	%
Winning Concept Director	72,696,876	51.34%	355,896,876	83.78%
Yeung Wood Sang	2,556,963	1.81%	2,556,963	0.60%
Public	66,346,161	46.85%	66,346,161	15.62%
Total:	141,600,000	100.00%	424,800,000	100.00%

LETTER FROM THE BOARD

Reasons for the Open Offer and the use of proceeds

The Company is an investment holding company with its operating subsidiaries principally engaged in three main areas which include (i) distribution and trading primarily of electrical consumer products, computer related products and electronics components; (ii) provision of website, advertising and design services; and (iii) investment and financial services.

The expenses of the Open Offer are estimated to amount to approximately HK\$0.6 million and are payable by the Company. The estimated net proceeds of the Open Offer will be approximately HK\$33.38 million and will be used as general working capital of the Group and investment funding for expanding the Group's business when opportunities arise. Despite the fact that the Company has no urgent need for cash for its existing daily operation, the Directors would like the Company to have the investment funding ready in order to capture business opportunities when they arise. Proceeds will be used in the core businesses of the Group. Preliminary, the Directors will consider to promote the Group's money lending business, and would consider to allocate HK\$25 million to HK\$28 million to this line of business. No specific project has yet been identified for the time being. The current market condition which is animated by Closer Economic Partnership Arrangement would stimulate high volume of business activities leading to strong demand for short to medium term funds. As the Open Offer would allow the Company to complete the fund raising exercise about one week earlier than the timetable of a rights issue, as a prudent measure, the Directors would like to take a shorter timetable in form of the Open Offer in order to shorten the Company's exposure to the market risk as it is unpredictable whether the current bullish market sentiment will continue. Further announcement in accordance with the Listing Rules will be made when use of such proceeds has been determined.

The Directors believe that it is in the best interests of the Company and its Shareholders to enlarge the capital base and liquidity of the Shares through the Open Offer, as the enlarged capital base will support the continuing development and daily operation of the Group's business activities. Moreover, as the Open Offer allows Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company, therefore the Directors consider that the Open Offer is in the best interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is the intention of Winning Concept that the Company will remain listed on the Stock Exchange. In the event that, upon the closing of the Open Offer, less than 25% of the Shares are held in hands of the public, it is the intention of Winning Concept to place down its shareholding interest in the Company to independent third parties not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates as soon as possible. However, no firm arrangement in respect of the placing has been made at present. Winning Concept has undertaken to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the issued Shares will be held by the public as required by the Listing Rules (or such other percentage as may be required from time to time) as soon as possible upon the closing of the Open Offer.

LETTER FROM THE BOARD

The Stock Exchange has stated that, if less than 25% of the issued Shares are in public hands following the closing of the Open Offer, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. The Stock Exchange will suspend trading in the Shares if less than 10% of the issued Shares are held in public hands.

BUSINESS REVIEW OF THE GROUP

The Company is an investment holding company with its operating subsidiaries principally engaged in three main areas which include (i) distribution and trading primarily of electrical consumer products, computer related products and electronics components; (ii) provision of website, advertising and design services; and (iii) investment and financial services.

The audited consolidated turnover of the Group for the two years ended 30th June, 2003 were approximately HK\$62.5 million and HK\$25.0 million, respectively. The Group continued to reduce its trading business and it was the main reason for the decrease in the Group's turnover by about 60% to approximately HK\$25.0 million for the year ended 30th June, 2003. The turnover was mainly derived from the telecommunication services business, which accounted for approximately 46.8% of the total turnover during the same year.

The audited net loss of the Group attributable to the Shareholders for the two years ended 30th June, 2003 were approximately HK\$191.0 million and HK\$164.9 million, respectively.

The investment and financial services business continued to suffer a significant loss for the year ended 30th June, 2003 as continuing high unemployment rate, falling property prices and deflationary pressure was undermined in the local investment markets. Net loss during the year was mainly due to the provision for receivable for HK\$23.7 million and the writing down of investment securities for HK\$25.0 million as the Group has adopted prudent measure in running the Group's business.

In April 2002, the Company invested into a plant engaged in food processing in the PRC. Total investment made by the Company in the plant was HK\$15 million. The amount was paid for acquiring 14% of the equity interests in the plant. The plant was under normal operation, however, no dividend has ever been declared by the plant or received by the Company since the Company has made the investment. The Company was a minority shareholder and did not take part into the management of the plant. No updated financial statements of the plant was obtained and the management did not have any information concerning the fair value of the plant as at 30th June, 2003 irrespective to the numerous requests given to the plant. The Company has adopted the prudent move to make a full provision of the whole investment in view of the uncertainties in the year ended 30th June, 2003. Due to the lack of basic information, the auditors' report was qualified as to the appropriateness of the provision.

The net loss for the year ended 30th June, 2002 was mainly due to the impairment loss on goodwill previously dealt with in reserve which was charged to the income statement in that year as the Group adopted a new Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

LETTER FROM THE BOARD

For the year ended 30th June, 2002, the Group made full provision for certain short-term loans receivable of HK\$19 million. In addition, during the year ended 30th June, 2001, the Group paid HK\$10 million to acquire a 12.5% interest in a company in Taiwan. The amount paid was classified as a deposit in the Group's balance sheet at 30th June, 2001. During the year ended 30th June, 2002, full provision was made in respect of the deposit. The auditors' report for the year ended 30th June, 2002 was qualified as to the appropriateness of the above-mentioned provisions.

The audited consolidated net assets of the Group as at 30th June, 2002 and 30th June, 2003 were approximately HK\$246.5 million and HK\$98.5 million, respectively. The audited bank balances and cash of the Group as at 30th June, 2002 and 30th June, 2003 were approximately HK\$12.3 million and HK\$2.8 million respectively. As shown in the audited consolidated cash flow statement of the Group for the year ended 30th June, 2003, the net HK\$9 million decrease in bank balances and cash was primarily the net effect of (i) operating loss during the year; (ii) increase in trade and other receivables and drop in trade and other payables; (iii) net cash generated from investing activities; and (iv) net cash generated from financing activities.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Directors have endeavoured to implement cost reduction plans and to continuously rationalize the existing businesses of the Group by centralizing operations, controlling the daily operating expenses and getting rid of loss making businesses. The current three main business areas include (i) distribution and trading primarily of electrical consumer products, computer related products and electronics components; (ii) provision of website, advertising and design services; and (iii) investment and financial services. In view of the recent improvements in local economic climate and the blooming PRC economy, the Directors believe that business of investment and financial services both locally and in the PRC market will have rooms for further expansion. The Directors would consider that by promoting and managing the Group's money lending business, which is one of the core businesses of the Group, reliable and substantial income would be generated. The current market condition which is animated by Closer Economic Partnership Arrangement would stimulate high volume of business activities leading to strong demand for short to medium term funds. This could facilitate the Group to promote money lending business. Besides money lending business would yield stable interest income and at least 70% of the loans would be secured by tangible assets.

For the 6 months period since the year end date of 30th June, 2003, the business of the Group decreased. The adverse impacts of SARS continued to affect the business of the Group in the third quarter of 2003. Whilst the Board is hopeful of the gradual recovery of the Hong Kong economy in the longer term and the anticipated strong demand for short to medium term funds, the Board intends to focus on expansion of the Group's money lending business in the year ending 30th June, 2004. In addition, the Directors plan to allocate HK\$25 million to HK\$28 million to this line of business.

LETTER FROM THE BOARD

The Directors believe that the Open Offer will strengthen the capital base of the Company and the net proceeds of the Open Offer will facilitate the Group to expand its business when opportunities arise. Although no specific project has been identified for the time being, the Group will strategically focus more on business opportunities arising from the growing PRC market. Furthermore, the Group would not use the proceeds of the Open Offer in trading of listed securities.

PROPOSED GRANT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company on 7th November, 2003, general mandates were given to the Directors to exercise the powers of the Company to allot, issue and deal with Shares representing not more than 20% of the then issued share capital of the Company and to repurchase Shares representing not more than 10% of the then issued share capital of the Company. As at 7th November, 2003, 141,600,000 Shares were in issue. In view of the expected increase of the issued share capital of the Company following the Open Offer, the Directors propose to renew the general mandates to issue and repurchase the Shares.

Subject to the Independent Shareholders' approval of the Open Offer at the SGM, a resolution will be put to the Shareholders at the SGM to approve the granting of the General Mandate to the Directors to allot, issue and deal with Shares representing not more than 20% of the issued share capital of the Company as enlarged by the issue of the new Shares pursuant to the Open Offer. The General Mandate will remain effective until (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law or the bye-laws of the Company; or (iii) until revoked by an ordinary resolution of the Shareholders, whichever occurs first.

Subject to the Independent Shareholders' approval of the Open Offer at the SGM, a resolution will also be put to the Shareholders at the SGM to approve the granting of the Repurchase Mandate to the Directors for repurchase by the Company on the Stock Exchange of up to 10% of the aggregate amount of the issued share capital of the Company as enlarged by the issue of new Shares pursuant to the Open Offer. This Repurchase Mandate will remain effective until (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; or (iii) until revoked or varied by an ordinary resolution of the Shareholders, whichever occurs first.

An explanatory statement as required by the relevant provisions of the Listing Rules concerning the regulation of repurchases by companies of their own securities on the Stock Exchange is set out in appendix II to this circular.

LETTER FROM THE BOARD

PROPOSED CHANGE OF CHINESE NAME

Reference is made to the announcement of the Company dated 15th December, 2003 regarding the proposed Chinese name “榮豐控股有限公司” as passed at the special general meeting held on 4th December, 2003 was similar to the Chinese name of another listed company on the Stock Exchange, the Board had decided that the Company would not adopt a Chinese name for the time being until a new Chinese name may be approved at another special general meeting which would be convened in due course.

The Company proposes to change the Chinese name from “榮豐控股有限公司” to “榮德豐控股有限公司” for identification purposes only, and for registration of the Chinese name of the Company in Hong Kong.

The change of Chinese name of the Company will not affect any of the rights of Shareholders. The existing share certificates in issue will continue to be evidence of title to the Shares and will be valid for trading, settlement and registration purposes. The Board decided that no new share certificate of the Company bearing any Chinese name of the Company will be issued in the time being and after the approval of the new Chinese name by the Shareholders at the SGM.

PROPOSED CHANGE OF AUDITORS

Reference is made to the announcements of the Company (formerly known as “Digital World Holdings Limited”) dated 7th November, 2003 and 27th November, 2003 regarding the change of auditors of the Company.

On 27th November, 2003, the Company announced that Lam, Kwok, Kwan & Cheng C. P. A. Limited has resigned as the auditors of the Company with effect from 6th November, 2003 after it had failed to agree on the audit fee for the financial year ending 30th June, 2004 with the Company. Lam, Kwok, Kwan & Cheng C.P.A. Limited has confirmed that there were no circumstances connected with its resignation that it considered ought to be brought to the attention of the Company’s members or creditors. Furthermore, the Board wished to appoint Deloitte Touche Tohmatsu as the auditors of the Company for the year ending 30th June, 2004. In accordance with bye-laws 157 of the Company, if the office of auditors becomes vacant by the resignation of the auditors, the Directors shall as soon as practicable convene a special general meeting to fill the vacancy. Consequently, the Company will propose an ordinary resolution at the SGM to approve the proposed change of the Company’s auditors.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

A notice convening the SGM to be held at 10:00 a.m. on 18th February, 2004 at 1408, 14/F Dina House, Ruttonjee Centre, No. 11 Duddell Street, Central, Hong Kong is set out on pages 78 to 83 of this circular. At the SGM, ordinary resolutions will be proposed to approve (i) the Open Offer; (ii) the grant of General Mandate and the Repurchase Mandate; (iii) proposed change in Chinese name; and (iv) proposed change of auditors of the Company.

There is a form of proxy for use at the SGM accompanying this circular. If you are not able to attend the SGM, you are requested to complete and return the form of proxy accompanying this circular to the Company's share registrar and transfer office, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you wish to do so.

As at the Latest Practicable Date, Winning Concept held an aggregate of 72,696,876 Shares representing approximately 51.34% of the issued share capital of the Company. Winning Concept and its associates will abstain from voting on the resolution to approve the Open Offer at the SGM.

RECOMMENDATION

The Directors consider that (1) the Open Offer; (2) the grant of general mandates to issue and repurchase Shares; (3) the change of Chinese name; and (4) the change of auditors of the Company are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM.

FURTHER INFORMATION

Subject to the necessary resolutions approving the Open Offer being passed at the SGM, it is expected that the Prospectus Documents will be despatched to the Qualifying Shareholders on or about Wednesday, 18th February, 2004.

Your attention is drawn to the texts of the letters from the Independent Board Committee and from CSC Asia respectively containing their recommendations and opinions regarding the Open Offer and the information set out in the appendices to this circular.

Yours faithfully
By Order of the Board
Wonderful World Holdings Limited
Liu Ka Lim
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



WONDERFUL WORLD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

2nd February, 2004

To the Independent Shareholders

Dear Sir or Madam,

THE OPEN OFFER

We refer to the circular of Company dated 2nd February, 2004 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you on whether or not the terms of the Open Offer are fair and reasonable so far as the Shareholders as a whole are concerned. CSC Asia has been appointed to advise the Independent Board Committee in relation to the Open Offer.

We wish to draw your attention to the letter from the Board set out on pages 6 to 19 of the Circular and the letter of advice from CSC Asia to the Independent Board Committee set out on pages 21 to 31 of the Circular.

Having considered the terms and conditions of the Open Offer, the advice of CSC Asia and the other principal factors contained in the letter from the Board, we are of the opinion that the terms and conditions of the Open Offer are fair and reasonable so far as the Shareholders as a whole are concerned and are in the overall interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the Open Offer as set out in the notice convening the SGM on pages 78 to 83 of the Circular.

Yours faithfully,

Lee Hong Chak, Heili **Hwang Sok In**
Independent Board Committee

LETTER FROM CSC ASIA

The following is the text of the letter of advice to the Independent Board Committee from CSC Asia setting out their opinion regarding the Open Offer for the purpose of inclusion in this circular.



CSC Asia Limited
Units 3204-07, 32/F
COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

2nd February, 2004

*To the Independent Board Committee of
Wonderful World Holdings Limited*

Dear Sirs,

PROPOSED OPEN OFFER TO QUALIFYING SHAREHOLDERS ON THE BASIS OF TWO OFFER SHARES FOR EVERY EXISTING SHARE HELD

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee in respect of the terms of the Open Offer, particulars of which have been set out in a circular to the Shareholders dated 2nd February, 2004 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

CSC Asia has been appointed as the independent financial adviser to the Independent Board Committee to give our recommendation as to whether the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned. Details of the reasons for the Open Offer are set out in the section headed "Letter from the Board" in the Circular (the "Board Letter").

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Group and have assumed that all information and representations made by the Group and the Directors were true, accurate and complete at the time they were made and continue to be so as 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

LETTER FROM CSC ASIA

opinion. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the affairs of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Open Offer, we have taken into consideration the following factors:

1. Background of the Group

As stated in the Board Letter, the Group is principally engaged in three main areas which include (i) distribution and trading primarily of electrical consumer products, computer related products and electronics components; (ii) provision of website, advertising and design services; and (iii) investment and financial services. We note from the Company's annual report for the year ended 30th June, 2003 (the "Annual Report") that the Company's turnover for the year ended 30th June, 2003 amounted to approximately HK\$25,038,000. This represents a decline of approximately 60.0% from the Company's turnover of approximately HK\$62,471,000 for the year ended 30th June, 2002 as the Group continued to reduce its trading business. We further note from the Annual Report that the Company suffered a loss of approximately HK\$164,884,000 for the year ended 30th June, 2003, representing an improvement of approximately 13.7% as compared to a loss of approximately HK\$191,049,000 for the year ended 30th June, 2002. As stated in the Annual Report, the Group has taken a "prudent" concept in running the Group's business and imposed policies to tighten the costs and internal control. In addition, we note from the Annual Report that the Group's bank balances and cash as at 30th June, 2003 amounted to approximately HK\$2,783,000, representing an approximately 77.3% decrease from the Group's bank balances and cash of approximately HK\$12,284,000 as at 30th June, 2002. As shown in the audited consolidated cash flow statement of the Group for the year ended 30th June, 2003, the net decrease in cash and bank balance of approximately HK\$9,037,000 was primarily the net effect of (i) operating loss during the year, (ii) increase in trade and other receivables and drop in trade and other payables; (iii) net cash generated from investing activities; and (iv) net cash generated from financing activities.

2. Reasons for the Open Offer

As stated in the Board Letter, the estimated net proceeds of the Open Offer will be approximately HK\$33.38 million and will be used as general working capital of the Group and investment funding for expanding the Group's business when opportunities arise. Despite the fact that the Company has no urgent need for cash for its existing daily operation, the Directors would like the Company to have the investment funding ready in order to capture business opportunities when they arise. Proceeds will be used in the core businesses of the Group. Preliminary, the Directors will consider to promote the Group's money lending business, and would consider to allocate HK\$25 million to HK\$28 million to this line of business. No specific project has yet been identified for the time being. As the Open Offer would allow the Company to complete the fund raising exercise about one week earlier than the timetable of a rights issue, as a prudent measure, the Directors would like to take a shorter timetable in form of the Open Offer in order to shorten the Company's exposure to the market risk as it is unpredictable whether the current bullish market sentiment will continue.

It is further stated in the Board Letter that the Directors believe that it is in the best interests of the Company and its Shareholders to enlarge the capital base and liquidity of the Shares through the Open Offer, as the enlarged capital base will support the continuing development and daily operation of the Group's business activities. Moreover, as the Open Offer allows Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company, therefore the Directors consider that the Open Offer is in the best interests of the Company and the Shareholders as a whole. After conducting our analysis on the terms of the Open Offer set out in this letter, we concur with the Directors' view that the Open Offer is in the best interests of the Company and the Shareholders as a whole.

During discussions with the Group's management, we have learnt that the Directors have considered other forms of fund raising such as bank loan, Shareholder's loan or placing of new Shares. Financing through loans would inevitably involve interest expenses to be born by the Group. Since the underwriting commission charged by the Underwriter pursuant to the Underwriting Agreement is nil, we believe that debt financing would result in higher finance cost to the Group as compared to that of the Open Offer. As for raising fund through the placing of new Shares, existing Shareholders would be placed at a disadvantageous position as it would dilute existing Shareholders' interests in the Company without giving them a chance to maintain their shareholdings in the Company. The Open Offer, on the other hand, allows existing Shareholders to maintain their respective interests and participate in the future growth and development of the Company. However, Shareholders should note that their respective interests in the Company can be diluted by up to approximately 66.7% if they do not fully subscribe for their entitlements to the Offer Shares under the Open Offer. Having compared the Open

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Offer with other fund raising activities mentioned above, we believe that the Open Offer is the most appropriate as it results in lower financing cost as compared with loan financing and has a lesser dilution effect on existing Shareholders' interests in the Company as compared with placing of new Shares.

3. Terms of the Open Offer

3.1 Basis of the Open Offer

It is stated in the Board Letter that 283,200,000 Offer Shares will be offered to Qualifying Shareholders on the basis of two Offer Shares for every existing Share held by each Qualifying Shareholder as at the Record Date at the Subscription Price. The Open Offer allows the Qualifying Shareholders to maintain their existing proportional shareholdings in the Company if they elect to fully subscribe for their entitlements of the Offer Shares under the Open Offer. As for Qualifying Shareholders who do not fully subscribe for their entitlements of the Offer Shares under the Open Offer and non-Qualifying Shareholders, their interests in the Company can be diluted by up to approximately 66.7% upon the completion of the Open Offer. For instance, the shareholding of a Shareholder holding a 10% interest in the Company before the completion of the Open Offer will be diluted to approximately 3.3% if no subscription is made by the relevant Shareholder under the Open Offer.

3.2 Subscription Price

It is stated in the Board Letter that the Subscription Price of HK\$0.12 per Offer Share is payable in full upon acceptance of the assured allotments and represents:

- a discount of approximately 51.02% to the closing price of HK\$0.245 per Share as quoted on the Stock Exchange on 6th January, 2004 (being the last trading day immediately prior to the date of the Announcement);
- a discount of 50% to the average closing price of HK\$0.24 per Share based on the daily closing prices as quoted on the Stock Exchange over the last 10 trading days up to and including 6th January, 2004 (being the last trading day immediately prior to the date of the Announcement);
- a discount of approximately 25.93% to the theoretical ex-entitlement price of approximately HK\$0.162 per Share based on the closing price per Share as quoted on the Stock Exchange on 6th January, 2004 (being the last trading day immediately prior to the date of the Announcement);

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- a discount of approximately 82.76% to the audited consolidated net tangible asset value per Share of HK\$0.696 as at 30th June, 2003 based on the audited consolidated financial statements of the Group made up to 30th June, 2003; and
- a discount of approximately 42.86% to the closing price of HK\$0.21 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

As stated in the Board Letter, the Subscription Price of HK\$0.12 per Offer Share was determined with reference to the market price of the Shares. We set out below the average closing price per Share, the highest trading price per Share and the lowest trading price per Share as quoted on the Stock Exchange for each of the months during the 12 months ended 8th January, 2004 (being the date of the Underwriting Agreement).

Period	Average daily closing price per Share in the period/ discount of the Subscription Price to average daily closing price per Share in the period <i>HK\$/%</i>	Highest trading price per Share in the period <i>HK\$</i>	Lowest trading price per Share in the period <i>HK\$</i>
2003			
January (starting from 9th January, 2003)	0.209/42.6	0.228	0.174
February	0.200/40.0	0.200	0.190
March	0.195/38.5	0.200	0.190
April	0.194/38.1	0.199	0.185
May	0.189/36.5	0.190	0.170
June	0.179/33.0	0.190	0.155
July	0.165/27.3	0.213	0.142
August	0.290/58.6	0.415	0.215
September	0.421/71.5	0.520	0.330
October	0.341/64.8	0.410	0.250
November	0.262/54.2	0.295	0.240
December	0.255/52.9	0.285	0.150
2004			
January (up to and including 8th January, 2004)	0.243/50.6	0.237	0.226

LETTER FROM CSC ASIA

For the purpose of comparison, we have examined 3 open offers and 4 rights issues of listed companies in Hong Kong announced during the period from October to December 2003. Since the recent stock market is subject to fluctuation, we consider that a 3-month period is reasonable for the comparison. We set out some of the terms of these open offers and rights issues in the table below.

Listed company	Date of announcement of open offer/ rights issue	Basis of allotment of open offer/ rights issue	Approximate discount of subscription price to closing price on last trading day prior to date of announcement %	Approximate discount of subscription price to theoretical ex-entitlement/ ex-rights price based on closing price on last trading day prior to date of announcement %
The Company	13th January, 2004	2 for 1	51.02	25.93
<i>Open offers:</i>				
FT Holdings International Limited	23rd October, 2003	5 for 1	37.5	9.09
Goldbond Group Holdings Limited	22nd October, 2003	4 for 1	67.21	29.08
Star Cruises Limited	17th October, 2003	7 for 100	10.0	9.4
		<i>Mean:</i>	38.2	15.9
		<i>Median:</i>	37.5	9.4
<i>Rights issues:</i>				
Jade Dynasty Food Culture Group Limited	4th December, 2003	1 for 3	5.7	4.3
EPRO Limited	10th November, 2003	9 for 20	72.5	64.5
Enerchina Holdings Limited	31st October, 2003	9 for 5	45.21	23.08
Fortuna International Holdings Limited	29th October, 2003	1 for 1	28.57	16.67
		<i>Mean:</i>	38.0	27.1
		<i>Median:</i>	36.9	19.9

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We note that the approximate discounts of the subscription price to the closing price and the theoretical ex-entitlement or ex-rights price shown above vary widely. The approximate discounts of the subscription price to the closing price range from 5.7% to 72.5% while the approximate discounts of subscription price to theoretical ex-rights or ex-entitlement price range from 4.3% to 64.5%. Since the respective discounts of the Subscription Price to the closing price per Share on the last trading day prior to the Announcement date and the theoretical ex-entitlement price per Share based on the closing price per Share on the last trading day immediately prior to the Announcement date fall within the range as shown above, we are of the view that the discounts of the Subscription Price are in line with market practice. Moreover, since all Qualifying Shareholders can participate in the Open Offer, the discounts of the Subscription Price would not pose financial disadvantage to the Shareholders.

4. Potential dilution effect

As stated in the Board Letter, the Open Offer is on a basis of two Offer Shares for every existing Share. We set out below a comparison of the shareholding structure of the Company before and after the completion of the Open Offer assuming that the Underwriter has to fulfil its obligation in full.

	Existing structure		Immediately after completion of the Open Offer (assuming that the Underwriter has to fulfil its obligation in full)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Winning Concept Director	72,696,876	51.34	355,896,876	83.78
Yeung Wood Sang	2,556,963	1.81	2,556,963	0.60
Public	66,346,161	46.85	66,346,161	15.62
	<u>141,600,000</u>	<u>100.00</u>	<u>424,800,000</u>	<u>100.00</u>

In the above scenario where none of the public Shareholders subscribe for any of the Offer Shares, the public Shareholders' aggregate interests in the Company will decrease from approximately 46.85% to approximately 15.62%, representing a decrease of approximately 66.7%. We set out below a table listing out the maximum dilution to shareholders who do not subscribe to any of the shares offered under the open offers or rights issues mentioned in section 3.2 of this letter.

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Listed company	Approximate maximum dilution to shareholding %
The Company	66.7
<i>Open Offers:</i>	
FT Holdings International Limited	83.3
Goldbond Group Holdings Limited	80.0
Star Cruises Limited	6.5
<i>Mean</i>	<i>56.6</i>
<i>Rights issues:</i>	
Jade Dynasty Food Culture Group Limited	25.0
EPRO Limited	31.0
Enerchina Holdings Limited	64.3
Fortuna International Holdings Limited	50.0
<i>Mean</i>	<i>44.7</i>

As illustrated above, the maximum dilutions range from approximately 6.5% to 83.3%. We are of the view that the maximum dilution on shareholding by the Open Offer of approximately 66.7% falls within the range listed above and is in line with market practice. As stated in the Board Letter, despite the fact that the Company has no urgent need for cash for its existing daily operation, the Directors would like the Company to have the investment funding ready in order to capture business opportunities when they arise. We believe that it is beneficial for the Company to take advantage of the current bullish market and conduct a fund raising exercise in anticipation for future needs of the Company. If the Company were to wait until it can identify a business opportunity to conduct fund raising activities, it is likely that the Company would have missed the opportunity by the time sufficient fund is raised. Having reviewed other forms of fund raising activities such as bank loan, Shareholder's loan or placing of new Shares as mentioned in section 2 of this letter, we are of the view that the dilution effect associated with the Open Offer, in case that the Shareholders do not fully subscribe for their entitlements to the Offer Shares under the Open Offer, is acceptable to the Independent Shareholders.

5. No application for excess Offer Shares

As stated in the Board Letter, in view of the fact that Winning Concept as the Underwriter is willing to underwrite 137,806,248 Open Offer Shares at no underwriting commission which in turn reduces the finance cost of the Company, and in order to balance the risks and rewards borne by Winning Concept, therefore after arm's length negotiation with Winning Concept, the Company has decided that no Qualifying

LETTER FROM CSC ASIA

Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlements. We are of the view that this arrangement is fair and reasonable to the Independent Shareholders as one of the underlying objectives for companies to raise funds through open offers is to allow existing shareholders to maintain their current shareholding. Winning Concept's shareholding in the Company would only be enlarged if some of the existing Shareholders decide to forfeit their entitlements to the Offer Shares under the Open Offer. The consequential enlargement of Winning Concept's shareholding in the Company is only a result of Winning Concept carrying out its obligations as the underwriter to the Open Offer.

6. Underwriting commission

As stated in the Board Letter, the Company and the Underwriter, Winning Concept, entered into the Underwriting Agreement on 8th January, 2004 (as supplemented by the supplemental agreement dated 13th January, 2004). Pursuant to the Underwriting Agreement, the underwriting commission to be charged by Winning Concept as the Underwriter is nil. The Company shall pay to the Underwriter only costs and expenses reasonably and properly incurred by the Underwriter for and in connection with the underwriting of the 137,806,248 Offer Shares and the negotiation and execution of the Underwriting Agreement. For the purpose of comparison, we set out below the underwriting commissions charged by the relevant underwriters to the open offers or rights issues mentioned in section 3.2 of this letter.

Listed company	Underwriting commission
	%
The Company (Note 1)	Nil
<i>Open Offers:</i>	
FT Holdings International Limited	6.0
Goldbond Group Holdings Limited (Note 1)	Nil
Star Cruises Limited	2.0
<i>Rights issues:</i>	
Jade Dynasty Food Culture Group Limited (Note 1)	2.0
EPRO Limited (Note 2)	N/A
Enerchina Holdings Limited (Note 1)	2.0
Fortuna International Holdings Limited	2.0

Note 1: The open offer/rights issue was underwritten by the substantial shareholder(s) of the company.

Note 2: The underwriter received a lump sum payment of HK\$10,000.

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As illustrated in the table above, underwriting commission charged by other underwriters range from nil to 6%. Based on the above comparison, we are of the view that the underwriting commission charged pursuant to the Underwriting Agreement is in line with market practice. We have had discussions with the Group's management regarding the choice of the underwriter to the Open Offer. The Group's management expressed that Winning Concept, a connected person to the Company, was chosen as the underwriter to the Open Offer primarily because the underwriting commission charged by it is nil. Had the Group appointed an independent third party as the underwriter, it is likely that the underwriter would charge an underwriting commission that is greater than nil. As the appointment of such independent underwriter would result in higher finance cost to the Group, the Directors consider that appointing Winning Concept as the underwriter is in the best interests of the Company and the Shareholders as a whole.

7. Financial effects of the Proposed Transaction

7.1 Net assets

We set out below a statement of pro forma net assets of the Group based on the audited net assets value of the Group as at 30th June, 2003 derived from the Annual Report.

	<i>HK\$'000</i>
Consolidated net assets of the Company as at 30th June, 2003	98,535
Estimated net proceeds from the Open Offer	<u>33,380</u>
Pro forma net assets of the Company following the completion of the Open Offer	<u><u>131,915</u></u>
Net assets per Share before the Open Offer (<i>Note</i>)	<u><u>HK\$0.6959</u></u>
Pro forma net assets per Share after the Open Offer (<i>Note</i>)	<u><u>HK\$0.3105</u></u>

Note: The net assets per Share before the Open Offer and the pro forma net assets per Share after the Open Offer are based on 141,600,000 Shares in issue as at the Latest Practicable Date and 424,800,000 Shares to be in issue immediately following the completion of the Open Offer respectively.

As illustrated in the statement above, the Company's net assets will increase from approximately HK\$98,535,000 to approximately HK\$131,915,000 immediately following the Open Offer, translating into an improvement of approximately 33.9%. However, the increase in the number of Shares in issue as

LETTER FROM CSC ASIA

a result of the Open Offer from 141,600,000 Shares to 424,800,000 Shares, an increase of 200.0%, outweighs the increase in the Company's net assets as a result of the Open Offer for the purpose of calculating the net assets per Share. Accordingly, the Company's net assets per Share will decrease from approximately HK\$0.6959 to approximately HK\$0.3105, representing a decrease of approximately 55.4%, following the completion of the Open Offer. Although the Open Offer will decrease the Company's net assets per Share, we are of the view that the strengthening of the Company's total net assets is beneficial to the continued development of the Group's business and is in the interests of the Company and the Independent Shareholders as a whole.

7.2 *Current ratio*

As stated in the Annual Report, the Company had consolidated current assets and consolidated current liabilities of approximately HK\$86,796,000 and HK\$11,700,000 respectively as at 30th June, 2003. These two figures translate into a current ratio (current assets/current liabilities) of approximately 7.42 times. Following the Open Offer, the Company's consolidated current assets will increase to approximately HK\$120,176,000 due to the increase in cash balance of approximately HK\$33,380,000. Such a change will improve the current ratio of the Company to approximately 10.27 times, representing an improvement of approximately 38.4%. The improvement in the Company's current ratio will result in higher liquidity and strengthened financial position.

CONCLUSION

Having considered the above principal factors, we are of the opinion that the Open Offer is in the interest of the Group and the Shareholders so far as the Independent Shareholders as a whole are concerned and the terms of the Open Offer are fair and reasonable. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Open Offer at the SGM.

Yours faithfully,
For and on behalf of
CSC Asia Limited
Howard Tang
Director

A. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated results of the Group as extracted from the annual reports of the Company for the years ended 30th June, 2001, 30th June, 2002 and 30th June, 2003:

Results

	Year ended 30th June,		
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	<u>25,038</u>	<u>62,471</u>	<u>90,626</u>
(Loss) profit from operations	(163,745)	(189,384)	(95,975)
(Loss) profit before taxation	<u>(164,884)</u>	<u>(191,049)</u>	<u>(74,113)</u>
Taxation	<u>–</u>	<u>–</u>	<u>–</u>
(Loss) profit attributable to Shareholders	<u>(164,884)</u>	<u>(191,049)</u>	<u>(74,113)</u>
Dividends	<u>–</u>	<u>–</u>	<u>–</u>
Earning/(loss) per share			
– Basic	<u>HK\$(1.35)</u>	<u>HK\$(5.26)</u>	<u>HK\$(8.98)</u>
– Diluted (<i>note</i>)	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

- Diluted loss per share for the year ended 30th June, 2003 has not been shown as no diluting events existed on the basis loss per share for the year. No diluted loss per share has been presented as the conversion of warrants, which lapsed during the year ended 30th June, 2002, would result in a decrease in loss per share for the two years ended 30th June, 2001 and 2002.
- Except for bad debts written-off of HK\$47.5 million for the year ended 30th June, 2003, there are no minority interests, or any exceptional items existed of the Company for the three years ended 30th June, 2001, 2002 and 2003.

B. AUDITED FINANCIAL INFORMATION OF THE GROUP

Set out below are the audited financial statements of the Group as extracted from the Company's audited financial statements for the year ended 30th June, 2003:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30th June, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	4	25,038	62,471
Cost of sales		<u>(19,588)</u>	<u>(51,843)</u>
Gross profit		5,450	10,628
Net investment expenses	5	(12,896)	(22,352)
Other operating income		1,695	1,699
Administrative expenses		(80,054)	(32,211)
Impairment loss on investment securities		(25,000)	(20,300)
Impairment loss on goodwill previously dealt with in reserve		(10,299)	(89,958)
Impairment loss on goodwill incurred during the year		(18,912)	–
Allowance for deposit made for acquisition of an investment security		–	(10,000)
Allowance for short-term loans receivable		(17,000)	(19,657)
Allowance for trade and other receivables		<u>(6,729)</u>	<u>(7,233)</u>
Loss from operations	6	(163,745)	(189,384)
Finance costs	7	(713)	(389)
Allowance for amount due from an associate		(426)	(1,271)
Share of loss of an associate		–	(5)
Loss before taxation		(164,884)	(191,049)
Taxation	9	<u>–</u>	<u>–</u>
Loss for the year	26	<u><u>(164,884)</u></u>	<u><u>(191,049)</u></u>
Loss per share			
Basic	10	<u><u>(HK\$1.35)</u></u>	<u><u>(HK\$5.26)</u></u>

CONSOLIDATED BALANCE SHEET

At 30th June, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	1,931	10,380
Interest in an associate	<i>13</i>	–	226
Investments in securities	<i>14</i>	21,991	46,976
Intangible assets	<i>15</i>	–	1,500
Deposit made for acquisition of a subsidiary	<i>16</i>	–	20,000
		<u>23,922</u>	<u>79,082</u>
CURRENT ASSETS			
Inventories		191	–
Trade and other receivables	<i>17</i>	32,985	24,525
Short-term loans receivable	<i>18</i>	26,886	127,544
Investments in securities	<i>14</i>	23,861	7,549
Pledged bank deposits	<i>19</i>	90	17,576
Bank balances and cash		2,783	12,284
		<u>86,796</u>	<u>189,478</u>
CURRENT LIABILITIES			
Trade and other payables	<i>20</i>	9,560	17,544
Amounts due to directors	<i>21</i>	445	345
Taxation payable		130	130
Unsecured bank and other loans			
– due within one year	<i>22</i>	1,528	1,554
Obligations under finance leases			
– due within one year	<i>23</i>	37	37
		<u>11,700</u>	<u>19,610</u>
NET CURRENT ASSETS		<u>75,096</u>	<u>169,868</u>
		<u>99,018</u>	<u>248,950</u>

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital	24	1,416	79,043
Reserves	26	97,129	167,420
		<u>98,545</u>	<u>246,463</u>
MINORITY INTERESTS			
		<u>463</u>	<u>4</u>
NON-CURRENT LIABILITIES			
Unsecured bank and other loans			
– due after one year	22	–	2,438
Obligations under finance leases			
– due after one year	23	10	45
		<u>10</u>	<u>2,483</u>
		<u>99,018</u>	<u>248,950</u>

BALANCE SHEET*At 30th June, 2003*

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	<i>12</i>	120,171	222,252
CURRENT ASSETS			
Trade and other receivables		4,490	690
Bank balances and cash		203	6,567
		4,693	7,257
CURRENT LIABILITIES			
Trade and other payables		632	633
Amount due to a director	<i>21</i>	129	337
		761	970
NET CURRENT ASSETS			
		3,932	6,287
		124,103	228,539
CAPITAL AND RESERVES			
Share capital	<i>24</i>	1,416	79,043
Reserves	<i>26</i>	122,687	149,496
		124,103	228,539

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June, 2003

	Share Capital HK\$'000	Share premium HK\$'000	Goodwill HK\$'000	Special reserve HK\$'000	Distribution reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
THE GROUP								
At 1st July, 2001	6,401	314,287	(100,257)	847	39,387	(26)	(23,009)	237,630
Exchange difference arising from translation of operations outside Hong Kong	-	-	-	-	-	43	-	43
Issue of shares	72,642	41,622	-	-	-	-	-	114,264
Expenses incurred in connected with the issue of shares	-	(4,383)	-	-	-	-	-	(4,383)
Impairment loss recognised	-	-	89,958	-	-	-	-	89,958
Loss for the year	-	-	-	-	-	-	(191,049)	(191,049)
At 30th June, 2002	79,043	351,526	(10,299)	847	39,387	17	(214,058)	246,463
Exchange difference arising from translation of operations outside Hong Kong	-	-	-	-	-	(28)	-	(28)
Issue of shares	428	6,469	-	-	-	-	-	6,897
Expenses incurred in connected with the issue of shares	-	(202)	-	-	-	-	-	(202)
Reduction of nominal value of exiting shares	(78,055)	-	-	-	-	-	78,055	-
Goodwill on acquisition of subsidiaries	-	-	(18,912)	-	-	-	-	(18,912)
Impairment loss recognised	-	-	29,211	-	-	-	-	29,211
Loss for the year	-	-	-	-	-	-	(164,884)	(164,884)
At 30th June, 2003	1,416	357,793	-	847	39,387	(11)	(300,887)	98,545

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 30th June, 2003*

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Operating activities			
Loss before taxation		(164,883)	(191,049)
Adjustment for:			
Interest income		(4,344)	(7,622)
Dividend income		(342)	(1)
Depreciation		3,395	3,832
Bad debts written off		47,207	–
Loss on disposal of property, plant and equipment		3,933	587
Amortization of intangible assets		1,500	2,000
Impairment loss of goodwill previously dealt with in reserve		10,298	89,958
Interest expenses		713	389
Loss on disposal of investment securities		14,184	10,689
Loss on disposal of other investments		–	1,819
Impairment loss on investment securities		25,000	20,300
Share of results of associates		–	5
Unrealised loss on other investments		–	9,844
Unrealised gain on investment securities		(1,286)	–
Allowance for short-term loan receivable		17,000	19,657
Allowance for deposit made for acquisition of an investment security		–	10,000
Allowance for trade and other receivables		6,729	7,233
Allowance for amount due from an associate		–	1,271
Operating loss before charges in working capital		(40,896)	(21,088)
Increase in inventory		(191)	–
Increase in trade and other receivables		(14,203)	(21,498)
(Decrease) Increase in trade and other payables		(6,457)	12,899
Cash used in operation		(61,747)	(29,687)
Tax paid		–	–
Net cash used in operating activities		(61,747)	(29,687)

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Investing activities			
Decrease (Increase) on short-term loan receivable		40,618	(92,977)
Payment for purchase of investment securities		(43,860)	(41,471)
Payment for purchase of other investment		(2,700)	(22,133)
Acquisition of a subsidiary/deposit made for acquisition of a subsidiary	27	20,000	(20,000)
Decrease (Increase) in bank pledged deposits		17,486	(12,076)
Payment for purchase of property, plant and equipment		(243)	(3,397)
Decrease (Increase) in advance to an associate		226	(1,497)
Repayment to directors		–	(837)
Acquisition of associate		–	(5)
Proceeds on disposal of other investments		–	3,713
Proceeds on disposal of investment securities		12,185	2,240
Proceeds on disposal of property, plant and equipment		1,369	8
Interest received		4,344	7,622
Dividend received from investments in securities		342	1
Advances from director		100	–
		<hr/>	<hr/>
Net cash generated from (used in) investing activities		49,867	(180,809)
		<hr/>	<hr/>
Financing			
Proceeds from issue of shares		6,897	108,684
Expenses incurred in connection with the issue of shares		(202)	(4,383)
New bank loan raised		–	4,500
Repayment of bank loan		(3,563)	(937)
Repayment of obligation under finance lease		(35)	(30)
Other borrowing cost paid		(706)	(383)
Interest paid on obligation under finance leases		(7)	(6)
Contribution from a minority shareholder		459	–
		<hr/>	<hr/>
Net cash from financing activities		2,843	107,445
		<hr/>	<hr/>

APPENDIX I**FINANCIAL INFORMATION**

	2003	2002
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
DECREASE IN CASH AND CASH EQUIVALENTS	(9,037)	(103,051)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11,855	114,906
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	(35)	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>2,783</u>	<u>11,855</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	2,783	12,284
Other loan with less than three months of maturity when arised	–	(429)
	<u>2,783</u>	<u>11,855</u>

NOTES ON THE FINANCIAL STATEMENTS*30th June, 2003***1. GENERAL**

The Company is a public limited company incorporated in Bermuda as an exempted company with limited and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company. The Principal activities of its principal subsidiaries and an associate are set out in notes 33 and 13, respectively.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised SSAPs are effective for the first time in the preparation of the current year’s financial statements:

- SSAP 1 (Revised): “Presentation of financial statements”
- SSAP 11 (Revised): “Foreign currency translation”
- SSAP 15 (Revised): “Cash flow statements”
- SSAP 33: “Discontinuing operations”
- SSAP 34: “Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 (Revised): “Presentation of financial statements”

SSAP 1 prescribes the basis of presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group’s reserves note.

SSAP 11 (Revised): “Foreign currency translation”

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the income statements of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. Further details about the impact of this SSAP are given in the accounting policy for foreign currencies as set out in note 3 to the financial statements.

SSAP 15 (Revised): “Cash flow statements”

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required.

The format of the consolidated cash flow statement and the notes thereto have been revised in accordance with the new requirements. In addition, the cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously, they were translated at the exchange rates at the balance sheet date. Further details of these changes are described in the accounting policy for foreign currencies as set out in note 3 to the financial statements.

SSAP 33: “Discontinuing operations”

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinued operations disclosures in its financial statements and the disclosures required.

SSAP 34: “Employee benefits”

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. The disclosures are similar to those previously required to be disclosed in the Report of the Directors by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and which are now included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic re-measurement of investments securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30th June, 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company’s income statement to the extent of dividends received and receivable. The Company’s interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group’s share of the post-acquisition results of associates is included in the consolidated income statement. The Group’s interests in associates are stated in the consolidated balance sheet at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of five years. On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) Sales of goods are recognised when goods are delivered and title has passed;
- (b) Service income is recognised when services are provided;
- (c) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable; and
- (d) Dividend income from investments is recognised when the Group's right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	–	20%
Plant and machinery	–	20%
Furniture, fixtures and equipment	–	20% – 33 ¹ / ₃ %
Motor vehicles	–	25%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group, or where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are initially measured at cost.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss.

Other investments are measured at fair value, with unrealized gains and losses included in net profit and loss for the year.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and is recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries outside Hong Kong are translated into Hong Kong dollars using the net investment method. The income statements of subsidiaries outside Hong Kong are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange reserve.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of subsidiaries outside Hong Kong which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the income statements of subsidiaries outside Hong Kong and the cash flows of subsidiaries outside Hong Kong were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, but has had no material effect on the amounts previously reported in the prior year's financial statements.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are nonassessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognized as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallize in the foreseeable future.

Employee benefits

Employment Ordinance long service payments

Certain employees of the Group have completed the required number of years of service under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong (the "Employment Ordinance") to be eligible for long service payments upon termination of their employments. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance.

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources of the Group.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's is currently organized into six operating divisions namely distribution and trading; provision of entertainment services; provision of website, advertising and design services; provision of traveling agents services; provision of telecommunications services; and investment and financial services.

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 30th June, 2003

	Distribution and trading	Provision of entertainment services	Provision of website, advertising and design services	Provision of travelling agents services	Provision of telecommuni- cations services	Investment and financial services	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE								
External sales	7,497	1,260	–	376	11,688	4,217	–	25,038
Inter-segments sales	–	–	–	–	15	–	(15)	–
Total	<u>7,497</u>	<u>1,260</u>	<u>–</u>	<u>376</u>	<u>11,703</u>	<u>4,217</u>	<u>(15)</u>	<u>25,038</u>
Inter-segment sales are charged at prevailing market prices								
Segment results	<u>(11,384)</u>	<u>(1,865)</u>	<u>–</u>	<u>(954)</u>	<u>(12,773)</u>	<u>(117,955)</u>	<u>–</u>	(144,931)
Unallocated corporate expenses								(18,814)
Loss from operations								(163,745)
Finance costs								(713)
Allowance for amount due from an associate								(426)
Loss before taxation								(164,884)
Taxation								–
Loss for the year								<u>(164,884)</u>

	Distribution and trading <i>HK\$'000</i>	Provision of entertainment services <i>HK\$'000</i>	Provision of website, advertising and design services <i>HK\$'000</i>	Provision of travelling agents services <i>HK\$'000</i>	Provision of telecommuni- cations services <i>HK\$'000</i>	Investment and financial services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
BALANCE SHEET								
<i>As at 30th June, 2003</i>								
ASSETS								
Segment assets	4,390	676	-	2,489	2,410	100,618	-	110,583
Unallocated corporate assets								135
Total assets								<u>110,718</u>
LIABILITIES								
Segment liabilities	576	72	-	87	3,471	7,479	-	11,685
Unallocated corporate liabilities								25
Total liabilities								<u>11,710</u>
OTHER INFORMATION								
Capital additions	-	36	-	110	96	-	-	242
Amortisation of intangible assets	-	-	1,500	-	-	-	-	1,500
Depreciation	227	170	-	32	1,966	-	-	2,395
Allowance for trade and other receivables	5,679	-	-	-	-	1,050	-	6,729
Allowance for short-term loans receivable	-	-	-	-	-	17,000	-	17,000

INCOME STATEMENTS

For the year ended 30th June, 2002

	Distribution and trading HK\$'000	Provision of entertainment services HK\$'000	Provision of website, advertising and design services HK\$'000	Provision of travelling agents services HK\$'000	Provision of telecommunications services HK\$'000	Investment and financial services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE								
External sales	49,973	1,243	567	-	3,065	7,623	-	62,471
Inter-segments sales	-	-	-	-	5	500	(505)	-
Total	<u>49,973</u>	<u>1,243</u>	<u>567</u>	<u>-</u>	<u>3,070</u>	<u>8,123</u>	<u>(505)</u>	<u>62,471</u>
Inter-segment sales are charged at prevailing market prices								
Segment results	<u>(7,710)</u>	<u>(6,157)</u>	<u>(93,346)</u>	<u>-</u>	<u>(6,710)</u>	<u>(72,389)</u>	<u>-</u>	<u>(186,312)</u>
Unallocated corporate expenses								<u>(3,072)</u>
Loss from operations								<u>(189,384)</u>
Finance costs								<u>(389)</u>
Allowance for amount due from an associate								<u>(1,271)</u>
Share of loss of an associate								<u>(5)</u>
Loss before taxation								<u>(191,049)</u>
Taxation								<u>-</u>
Loss for the year								<u><u>(191,049)</u></u>

	Distribution and trading <i>HK\$'000</i>	Provision of entertainment services <i>HK\$'000</i>	Provision of website, advertising and design services <i>HK\$'000</i>	Provision of travelling agents services <i>HK\$'000</i>	Provision of telecommuni- cations services <i>HK\$'000</i>	Investment and financial services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
BALANCE SHEET								
<i>As at 30th June, 2002</i>								
ASSETS								
Segment assets	17,592	853	4,850	–	11,443	203,046	–	237,784
Unallocated corporate assets								30,776
Total assets								<u>268,560</u>
LIABILITIES								
Segment liabilities	8,606	12	2,718	–	2,655	3,140	–	17,131
Unallocated corporate liabilities								4,962
Total liabilities								<u>22,093</u>
OTHER INFORMATION								
Capital additions	50	362	571	–	2,526	–	–	3,509
Amortisation of intangible assets	–	–	2,000	–	–	–	–	2,000
Depreciation	180	90	1,691	–	1,871	–	–	3,832
Allowance for trade and other receivables	4,733	–	–	–	–	2,500	–	7,233
Allowance for short-term loans receivable	–	–	–	–	–	19,657	–	19,657

Geographical segments

The Group's operations are principally located in Hong Kong, the People's Republic of China other than Hong Kong (the "PRC") and Taiwan.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales by geographical market		Loss from operations	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	24,568	61,904	(143,309)	(182,303)
PRC	93	567	(1,815)	(4,009)
Taiwan	377	–	(954)	–
	<u>25,038</u>	<u>62,471</u>	<u>(146,078)</u>	<u>(186,312)</u>
Unallocated corporate expenses			(17,667)	(3,072)
Unallocated corporate income			–	–
Loss from operations			<u>(163,745)</u>	<u>(189,384)</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	107,669	262,278	130	2,937
PRC	560	1,282	2	572
Taiwan	2,489	–	111	–
	<u>110,718</u>	<u>263,560</u>	<u>243</u>	<u>3,509</u>

5. NET INVESTMENT EXPENSES

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of investment securities	14,182	10,689
Unrealised gain on investment securities	(3,350)	–
Unrealised loss on other investments	2,064	9,844
Loss on disposal of other investments	–	1,819
	<u>12,896</u>	<u>22,352</u>

6. LOSS FROM OPERATIONS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Directors' emoluments (<i>note 8(a)</i>)	1,476	2,079
Pension contributions	154	127
Other staff costs	4,167	4,231
Total staff costs	<u>5,797</u>	<u>6,437</u>
Amortisation of intangible assets (included in administrative expenses)	1,500	2,000
Auditors' remuneration	527	565
Bad debts written off	47,207	–
Depreciation		
Owned assets	3,375	3,812
Assets held under finance leases	20	20
Loss on disposal of property, plant and equipment	3,933	587
and after crediting:		
Interest income	4,344	7,622
Dividend income from listed securities	<u>342</u>	<u>1</u>

7. FINANCE COSTS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loan wholly repayable within five years	136	181
Other loan wholly repayable within five years	570	202
Obligations under finance leases	<u>7</u>	<u>6</u>
	<u>713</u>	<u>389</u>

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Particulars of the directors' and the five highest paid employees' emoluments are as follows:

(a) Directors' emoluments

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	83	100
Other emoluments for executive directors:		
Basic salaries and allowances	<u>1,393</u>	<u>1,979</u>
	<u>1,476</u>	<u>2,079</u>

The emoluments of each director were within the following band:

	Number of Directors	
	2003	2002
Nil to HK\$1,000,000	<u>6</u>	<u>6</u>

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year.

(b) Employees' emoluments

Of the five highest paid individuals in the Group, two (2002: four) are directors of the Company whose emoluments are set out in note 8(a) above. The emoluments of the remaining three individual (2002: one) is as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowances	<u>1,215</u>	<u>300</u>

9. TAXATION

No provision for taxation has been made in the financial statements as members of the Group had no assessable profit for the year.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK\$164,884,000 (2002: HK\$191,049,000) and on the weighted average of 122,469,179 (2002: 36,349,759) shares in issue during the year.

As required by paragraph 42 of SSAP 5 "Earnings Per Share", the weighted average number of ordinary shares for the purposed of calculating basic loss per share for 2002 has been further adjusted for the effect of the share consolidation approved on 9th September, 2002, details of which are set out in note 24.

Diluted loss per share for the year ended 30th June, 2003 has not been shown as no diluting events existed on the basis loss per share for the year. No diluted loss per share for the year ended 30th June, 2002 has been presented as the conversion of warrants, which lapsed during the year, would result in a decrease in loss per share for the year.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1st July, 2002	1,831	5,951	7,291	1,007	16,080
Exchange realignment	–	–	2	5	7
Additions	23	47	172	–	242
Disposals	(1,382)	(5,998)	(1,281)	(260)	(8,921)
	<u>472</u>	<u>–</u>	<u>6,184</u>	<u>752</u>	<u>7,408</u>
DEPRECIATION					
At 1st July, 2002	324	1,324	3,793	259	5,700
Exchange realignment	–	–	–	–	–
Provided for the year	368	1,199	1,670	158	3,395
Eliminated on disposals	(527)	(2,523)	(523)	(45)	(3,618)
	<u>165</u>	<u>–</u>	<u>4,940</u>	<u>372</u>	<u>5,477</u>
NET BOOK VALUE					
At 30th June, 2003	<u>307</u>	<u>–</u>	<u>1,244</u>	<u>380</u>	<u>1,931</u>
At 30th June, 2002	<u>1,507</u>	<u>4,627</u>	<u>3,498</u>	<u>748</u>	<u>10,380</u>

At 30th June, 2003, the net book value of furniture, fixtures and equipment included an amount of HK\$72,000 (2002: 92,000) in respect of asset held under finance leases.

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	98,514	98,514
Amounts due from subsidiaries	453,892	447,964
	<u>552,406</u>	<u>546,478</u>
<i>Less:</i> Impairment loss recognised	(432,235)	(324,226)
	<u>120,171</u>	<u>222,252</u>

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

An impairment loss of HK\$108,000,000 (2002: HK\$140,000,000) has been recognised in respect of the investments in and advances to subsidiaries to their recoverable amounts which determined by reference to the fair value of the underlying assets of the respective subsidiaries at the balance sheet date.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Particulars of the Company's principal subsidiaries at 30th June, 2003 are set out in note 33.

13. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	5	5
Share of post-acquisition loss of an associate	(5)	(5)
	<hr/>	<hr/>
Amount due from an associate, less allowance	–	226
	<hr/>	<hr/>
	–	226
	<hr/> <hr/>	<hr/> <hr/>

At 30th June, 2002, the amount due from an associate is unsecured, interest free and has no fixed terms of repayment. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

Particulars of the Group's associate at 30th June, 2003 are as follows:

Name of associate	Place of incorporation	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Group %	Principal activities
Magicon Limited	Hong Kong	HK\$10,000	50	Investment in a company which is engaged in graphic design, 3D animation, vision effect and software development

14. INTERESTS IN SECURITIES

	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP						
Listed equity securities in Hong Kong	9,311	11,996	23,861	7,549	33,172	19,545
Unlisted equity securities in Hong Kong	12,680	34,980	–	–	12,680	34,980
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	21,991	46,976	23,861	7,549	45,852	54,525
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Market value of listed securities	16,147	11,544	43,881	7,549	60,028	19,093
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Carrying amount analysed for reporting purposes as:						
Non-current	21,991	46,976	–	–	21,991	46,976
Current	–	–	23,861	7,549	23,861	7,549
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	21,991	46,976	23,861	7,549	45,852	54,525
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year, the directors of the Company have reviewed the carrying amount of the investment securities in light of the current market condition with reference to the financial results and business operated by certain investees. The directors have identified impairment loss of HK\$25,000,000 (2002: HK\$20,300,000) on the investment securities, estimated by reference to the market value and the amount has been recognised in the income statement accordingly.

15. INTANGIBLE ASSETS

	Development costs <i>HK\$'000</i>
THE GROUP	
COST	
At 1st July, 2002 and at 30th June, 2003	4,833
AMORTISATION	
At 1st July, 2002	3,333
Provided for the year	1,500
At 30th June, 2003	4,833
NET BOOK VALUE	
At 30th June, 2003	—
At 30th June, 2002	1,500

16. DEPOSIT MADE FOR ACQUISITION OF A SUBSIDIARY

At 30th June, 2003, the full amount was transferred to accounts “Interests in subsidiaries” as the 70% interest of the subsidiary acquired during the year.

At 30th June, 2002, the balance sheet represented the full amount of consideration paid by the Group in connection with its acquisition of a 70% interest in a private limited company incorporated in Taiwan.

17. TRADE AND OTHER RECEIVABLES

The credit terms granted by the Group to its trade customers normally range from 30 days to 150 days. Included in the balances are trade receivables of HK\$1,647,000 (2002: HK\$17,535,000) and their aged analysis is as follows:

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0 – 1 month	872	1,473
1 – 3 months	—	10,451
Over 3 months	775	5,611
	<u>1,647</u>	<u>17,535</u>

18. SHORT-TERM LOANS RECEIVABLE

On the balances sheet date, the loans were:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due/extended	4,300	119,467
Overdue	53,613	38,200
Accrued interest receivable	3,473	2,534
	<u>61,386</u>	<u>160,201</u>
Allowance	(34,500)	(32,657)
	<u>26,886</u>	<u>127,544</u>

The loans were made in general for a period from one to eighteen months, but may be extended on mutual agreement. These loans carry interest ranging from 5% to 27% per annum.

19. PLEDGED BANK DEPOSITS

At the balance sheet date, the following bank deposits were pledged to banks in respect of banking facilities granted to:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
An investee company	–	10,000
A subsidiary	90	7,576
	<u>90</u>	<u>17,576</u>

20. TRADE AND OTHER PAYABLES

Included in the balances are trade payables of HK\$2,158,000 (2002: HK\$9,313,000) and their aged analysis is as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 1 month	1,683	2,107
1 – 3 months	380	7,206
Over 3 months	95	–
	<u>2,158</u>	<u>9,313</u>

21. AMOUNTS DUE TO DIRECTORS

The balances are unsecured, interest free and are repayable on demand.

22. UNSECURED BANK AND OTHER LOANS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank and other loans comprise:		
Bank loan	–	3,563
Other loan	1,528	429
	<u>1,528</u>	<u>3,992</u>
	<u><u>1,528</u></u>	<u><u>3,992</u></u>
The bank and other loans are repayable as follows:		
Within one year or on demand	1,528	1,554
More than one year, but not exceeding two years	–	1,125
More than two years, but not exceeding five years	–	1,313
	<u>1,528</u>	<u>3,992</u>
<i>Less:</i> Amount due within one years shown under current liabilities	<u>(1,528)</u>	<u>(1,554)</u>
Amount due after one year	<u>–</u>	<u>2,438</u>
	<u><u>–</u></u>	<u><u>2,438</u></u>

23. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under finance leases:				
Within one year	41	41	37	37
In the second to fifth year inclusive	<u>16</u>	<u>57</u>	<u>10</u>	<u>45</u>
	57	98	47	82
<i>Less:</i> Future finance charges	<u>(10)</u>	<u>(16)</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u><u>47</u></u>	<u><u>82</u></u>	47	82
<i>Less:</i> Amount due for settlement within one year shown under current liabilities			<u>(37)</u>	<u>(37)</u>
Amount due for settlement after one year			<u>10</u>	<u>45</u>
			<u><u>10</u></u>	<u><u>45</u></u>

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is 1 year. For the year ended 30th June, 2003, the average effective borrowing rate is approximately 12%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1st July, 2001	200,000,000,000	200,000
Ordinary shares of HK\$0.08 each:		
Consolidation of 80 existing shares of HK\$0.001 each into 1 share of HK\$0.08 each	639,687,213	51,175
Ordinary shares of HK\$0.01 each:		
Reduction of nominal value of existing shares of HK\$0.08 each to HK\$0.01 each by the cancellation of HK\$0.07 on each paid up share	639,687,213	6,397
Exercise of warrants	400,000	4
Ordinary shares of HK\$0.01 each at 30th June, 2001	640,087,213	6,401
Issue of shares	18,600,000	186
Rights issue of shares	7,245,569,298	72,456
Exercise of warrants	905	–
Ordinary shares of HK\$0.01 each at 30th June, 2002	7,904,257,416	79,043
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1st July, 2002	7,904,257,416	79,043
Ordinary shares of HK\$0.80 each:		
Consolidation of 80 existing shares of HK\$0.01 each into 1 share of HK\$0.80 each	98,803,217	79,043
Ordinary shares of HK\$0.01 each:		
Reduction of nominal value of existing shares of HK\$0.80 to HK\$0.01 each by the cancellation of HK\$0.79 on each paid up share	98,803,217	988
Placing of new shares	42,796,783	428
Ordinary shares of HK\$0.01 each at 30th June, 2003	<u>141,600,000</u>	<u>1,416 47</u>

During the year, the following changes in the share capital of the Company took place:

- (i) On 10th September, 2002 the Company consolidated every 80 issued Shares into one Consolidated Share for its Capital Reorganisation. Upon the Share Consolidation becoming effective, the Capital Reduction under which the paid up capital of the issued Consolidated Shares will be reduced from HK\$0.80 to HK\$0.01 each by the cancellation of HK\$0.79 paid up on each issued Consolidated Share. Details of the transaction are set out in the circular of the Company dated 14th August, 2002.
- (ii) On 30th October, 2002 the Directors announce that the Company has entered into the Placing Agreement with the Placing Agent to place 19,196,783 shares at the price of HK\$0.138 per Placing Share. Shares amount to approximately 19.43% of the existing issued share capital of the Company of 98,803,217 shares and about 16.27% of the share capital of 118,000,000 shares as enlarged by the Placing Shares. The net proceeds from the Placing of approximately HK\$2.4 million will be applied as general working capital of the Group. Details of completion of the placing agreement are set out in the announcement of the Company dated 19th November, 2002.

- (iii) On 11th December, 2002 the Directors announce that the Company has entered into the Placing Agreement with the Placing Agent to place 23,600,000 shares at the price of HK\$0.18 per Placing Share. Shares amount to approximately 20.00% of the existing issued share capital of the Company of 118,000,000 shares and about 16.27% of the share capital of 141,600,000 shares as enlarged by the Placing Shares. The net proceeds from the Placing of approximately HK\$4 million will be applied as general working capital of the Group. Details of expected completion of the placing agreement are set out in the announcement of the Company dated 11th December, 2002.

25. SHARE OPTIONS

The Company has a share option scheme under which the directors and employees of the Company and its subsidiaries may be granted options to subscribe for ordinary shares in the Company. As at 30th June, 2003, no option had been granted under the scheme.

26. RESERVES

	Share premium HK\$'000	Goodwill HK\$'000	Contribution surplus HK\$'000	Special reserve HK\$'000	Distribution reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
THE GROUP								
At 1st July, 2001	314,287	(100,257)	–	847	39,387	(26)	(23,009)	231,229
Exchange difference arising from translation of operations outside Hong Kong	–	–	–	–	–	43	–	43
Premium arising on issue of shares	41,622	–	–	–	–	–	–	41,622
Expenses incurred in connected with the issue of shares	(4,383)	–	–	–	–	–	–	(4,383)
Impairment loss recognised	–	89,958	–	–	–	–	–	89,958
Loss for the year	–	–	–	–	–	–	(191,049)	(191,049)
At 30th June, 2002	351,526	(10,299)	–	847	39,387	17	(214,058)	167,420
Exchange difference arising from translation of operations outside Hong Kong	–	–	–	–	–	(28)	–	(28)
Premium arising on issue of shares	6,469	–	–	–	–	–	–	6,469
Expenses incurred in connected with the issue of shares	(202)	–	–	–	–	–	–	(202)
Reduction of nominal value of existing share	–	–	–	–	–	–	78,055	78,055
Goodwill on acquisition of subsidiaries	–	(18,912)	–	–	–	–	–	(18,912)
Impairment loss recognised	–	29,211	–	–	–	–	–	29,211
Loss for the year	–	–	–	–	–	–	(164,884)	(164,884)
At 30th June, 2003	<u>357,793</u>	<u>–</u>	<u>–</u>	<u>847</u>	<u>39,387</u>	<u>(11)</u>	<u>(300,887)</u>	<u>97,129</u>
Attributable to:								
The Company and subsidiaries	357,793	–	–	847	39,387	(11)	(300,424)	97,592
Associate	–	–	–	–	–	–	(463)	(463)
At 30th June, 2003	<u>357,793</u>	<u>–</u>	<u>–</u>	<u>847</u>	<u>39,387</u>	<u>(11)</u>	<u>(300,887)</u>	<u>97,129</u>

	Share premium HK\$'000	Goodwill HK\$'000	Contribution surplus HK\$'000	Special reserve HK\$'000	Distribution reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
THE COMPANY								
At 1st July, 2001	314,287	-	61,949	-	39,387	-	(166,726)	248,897
Premium arising on issue of shares	41,622	-	-	-	-	-	-	41,622
Expenses incurred in connected with the issue of shares	(4,383)	-	-	-	-	-	-	(4,383)
Loss for the year	-	-	-	-	-	-	(136,640)	(136,640)
At 30th June, 2002	351,526	-	-	-	39,387	-	(303,366)	149,496
Premium arising on issue of shares	6,469	-	-	-	-	-	-	6,469
Expenses incurred in connected with the issue of shares	(202)	-	-	-	-	-	-	(202)
Reduction of nominal value of existing share	-	-	-	-	-	-	78,054	78,054
Loss for the year	-	-	-	-	-	-	(111,130)	(111,130)
At 30th June, 2003	357,793	-	61,949	-	39,387	-	(336,442)	122,687

The special reserve of the Group represents the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a group reorganisation in December 1997 (the "Group Reorganisation"), over the nominal value of the Company's shares issued in exchange.

The contributed surplus of the Company represents the excess of the combined net assets of the subsidiaries acquired pursuant to the Group Reorganisation in December 1997, over the nominal value of the Company's shares issued in exchange.

The distributable reserve of the Group and the Company represents the aggregate of the credit arising from the reduction of nominal value of the Company's share capital in March 1999 and March 2001 less the amount utilised for a bonus issue of shares in September 2000.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company had no reserves available for distribution as at 30th June, 2003 and 30th June, 2002.

During the year, the directors reviewed the carrying value of goodwill which had previously been dealt with in reserve with reference to the business operated by those subsidiaries principally engaging in the website, entertainment and advertising business. In view of the current economic condition, an impairment loss of HK\$29,211,000 (2002: HK\$89,958,000) has been identified and recognised in the consolidated income statement.

27. ACQUISITION OF A SUBSIDIARY

	2003
	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	39
Intangible assets	62
Cash and bank balances	1,396
Trade and other receivables	146
Inventory	70
Trade and other payables	(159)
Minority interests	(466)
	<u>1,088</u>
Goodwill on acquisition of subsidiaries	<u>18,912</u>
Consideration	<u><u>20,000</u></u>
Satisfied by:	
Cash consideration paid	<u><u>20,000</u></u>

The subsidiaries acquired during the year ended 30th June, 2003 did not have any significant impact on the Group's cash flows or operating results for that year.

28. UNRECOGNISED DEFERRED TAXATION

A deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

29. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments paid under operating leases in respect of rented premises	<u>871</u>	<u>2,241</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under noncancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	575	1,767
In the second to fifth year inclusive	<u>296</u>	<u>205</u>
	<u><u>871</u></u>	<u><u>1,972</u></u>

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years. Rentals are fixed and no arrangements have been entered into for contingent rentals payments.

The Company had no operating lease commitments at the balance sheet date.

30. RETIREMENT BENEFITS SCHEME

With effective from 1st December, 2000, the Group has joined a mandatory provident fund scheme (“MPF Scheme”). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules.

During the year, the total amount contributed by the Group to the MPF Scheme charged to the income statement represent contributions payable to the fund by the Group at rates specified in the rules of the scheme.

31. CONTINGENT LIABILITIES

On 10th November, 2000 the Company has been named as a defendant in a legal action in which a claim have been made against the Company for failure to pay, as the guarantor, an amount of approximately HK\$5,996,000 and related interest. The directors, after seeking legal advice, is of the opinion that the eventual resolution of the legal action is unlikely to result in payment by the Group and no provision for any potential liability is required in the financial statements.

In addition, at 30th June, 2003, the Company had given a guarantee to a bank, details of which are set out in note 32 below.

32. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

Details of balances with connected and related parties are set out in notes 13 and 21.

At 30th June, 2003, the Company had given a guarantee amounting to HK\$90,000 (2002: HK\$3,563,000) to a bank in respect of banking facilities granted by the bank to Digital Nunet Exchange Limited (“Digital Nunet”) which is 55% owned by the Group.

Also, the Company had given a corporate guarantee amounting to HK\$2,500,000 (2002: Nil) to a third party in respect of a loan granted to Digital Nunet.

At 30th June, 2003, the Group had advanced approximately HK\$10,700,000 to Digital Nunet. The advance is unsecured, repayable on demand and carries interest at 5% per annum. The guarantee given by the Group and advance made by the Group were the only financial assistance given by Digital Nunet’s shareholders to Digital Nunet.

In addition, at 30th June, 2003, the Group had advanced approximately HK\$10,371,000 (2002: HK\$13,966,000) to Michael Lai Production Holdings Limited (“Michael Lai Production”) which is 70% owned by the Group. The advance is unsecured, interest free and repayable on demand. The advance made to Michael Lai Production was the only financial assistance given by Michael Lai Production’s shareholders to Michael Lai Production.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30th June, 2003 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Group %	Principal activities
Ancora Worldwide Limited*	British Virgin Islands	US\$100	100	Investment holding
Best Victory Trading Limited*	Hong Kong	HK\$2,000,000	100	Distribution of electrical consumer products, computer related products, and electronic components
Best Time Investments Limited*	Hong Kong	HK\$10,000	100	Investment holding
Capital Ace Holdings Limited*	British Virgin Islands	US\$1	100	Investment holding
Chiefast Company Limited*	British Virgin Islands	US\$1	100	Investment holding
City Star Technology Limited*	British Virgin Islands	US\$1	100	Investment holding
CWAP (HK) Limited	Hong Kong	HK\$2	100	Provision of Chinese WAP services
CWAP Technology (Shenzhen) Limited	Hong Kong	HK\$1,000,000	100	Provision of WAP services
Digital Nunet Exchange Limited	Hong Kong	HK\$10,000	55	Provision of technology services
Digital World Finance Limited*	Hong Kong	HK\$1,000,000	100	Money lending
Dynamic Rich Limited*	British Virgin Islands	US\$1,000	100	Investment holding
Dynamic Wealth Limited*	British Virgin Islands	US\$1	100	Investment holding
E-World Net International Limited	Taiwan	NT\$5,000,000	70	Provision of e-travel services
Michael Lai Production Holdings Limited	British Virgin Islands	US\$1,000	70	Provision of entertainment services
Mojoco Enterprise Incorporation*	British Virgin Islands	US\$1	100	Investment holding
New Dynamic Venture Corporation*	British Virgin Islands	US\$1,000	100	Investment holding

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Group %	Principal activities
Vital Tech Company Limited*	British Virgin Islands	US\$1,000	100	Investment holding
Wing Kit Worldwide Limited*	British Virgin Islands	US\$1,000	100	Investment holding
World Express Investment Limited*	British Virgin Islands	US\$1,000	100	Investment holding

Other than those subsidiaries with an "*" which are directly held by the Company, all the subsidiaries are indirectly held.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

34. POST BALANCE SHEET EVENTS

On 12th August, 2003, an announcement of unconditional cash offer to acquire all the issued shares of the Company was jointly announced by the Company and Winning Concept Investments Limited ("Winning Concept"), an unrelated party of the Company. In the opinion of the directors, the management of the Company would be possibly changed upon the success of the cash offer by Winning Concept.

C. INDEBTEDNESS

At the close of business on 31st December, 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had an outstanding amount due to a financial institution of approximately HK\$0.5 million which was secured by the Group's investments in shares of a listed company with market value of approximately HK\$2 million as of 31st December, 2003, an unsecured advance from Winning Concept of approximately HK\$1.56 million, outstanding balances secured by the Group's investments in shares of listed companies with market value of approximately HK\$61 million as of 31st December, 2003 in securities margin trading accounts with securities companies amounting to approximately HK\$4.2 million, and outstanding payments under hire purchase commitments on an office equipment totaling approximately HK\$7,000. In addition, the Group had given a corporate guarantee to an independent third party not connected with the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates amounting to approximately HK\$2.5 million to secure a loan facility to Digital Nunet Exchange Limited.

Save as aforesaid or as otherwise disclosed herein, the Group did not have any outstanding at the close of business on 31st December, 2003, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the appropriate rates of exchange prevailing at the close of business on 31st December, 2003.

D. STATEMENT OF UNAUDITED ADJUSTED PROFORMA CONSOLIDATED NET TANGIBLE ASSET VALUE OF THE GROUP

The following is a summary of the statement of the adjusted proforma consolidated net tangible asset value of the Group based on the audited net tangible asset value of the Group as at 30th June, 2003 and as adjusted to take into account of transactions since that date:

	<i>HK\$'000</i>
Audited consolidated net tangible asset value as at 30th June, 2003	98,545
<i>Add:</i> the net proceeds from the Open Offer, net of expenses	<u>33,380</u>
Proforma adjusted net tangible asset value after the Open Offer	<u><u>131,925</u></u>

E. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the estimated net proceeds to be derived from the Open Offer, the Group has sufficient working capital for its present requirements.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide information to the Shareholders regarding the new repurchase mandate as referred to in the section headed “Proposed grant of general mandates to issue and repurchase Shares” on page 17 of this circular. For the purpose of this appendix, the term “shares” (unless otherwise stated) shall be as defined in the Hong Kong Code on Share Repurchases which mean all classes which carry a right to subscribe for or repurchase shares.

SHARE CAPITAL

As at the Latest Practicable Date, 141,600,000 Shares were in issue. Subject to the passing of the ordinary resolution approving the granting of the Repurchase Mandate and on the basis that (i) the Open Offer is approved at the SGM; (ii) 283,200,000 Offer Shares shall be duly issued pursuant to the Open Offer; and (iii) save for the issue of 283,200,000 Offer Shares as aforesaid, no further securities will be issued or repurchased between the Latest Practicable Date and the date of the SGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 42,480,000 Shares during the period ending on the earlier of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law or the bye-laws of the Company; or (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

REASON FOR THE REPURCHASE

Although the Company has no present intention of repurchasing any Shares, the Directors believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company and its Shareholders. Repurchases may, depending on the circumstances, result in an increase of net assets and/or earnings per Share. Furthermore, the exercise of the Repurchase Mandate by the Directors may lead to an increased volume of trading and therefore enhanced liquidity in the Shares on the Stock Exchange.

FUNDING OF REPURCHASES

Any repurchase of the Shares will be funded entirely from the Company’s available cash flow or working capital facilities legally available for the repurchase in accordance with the memorandum of association and bye-laws of the Company and all applicable laws.

SHARE PRICES

The highest and lowest prices of the Shares traded in the Stock Exchange in each of the past 12 months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2003		
February	0.200	0.199
March	0.200	0.190
April	0.199	0.188
May	0.190	0.170
June	0.190	0.155
July	0.213	0.142
August	0.415	0.213
September	0.520	0.330
October	0.410	0.250
November	0.295	0.240
December	0.285	0.150
2004		
January	0.245	0.162

GENERAL

The Board has undertaken to the Stock Exchange that it would exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Hong Kong and other applicable laws, rules and regulations.

The Directors anticipate that there might be a material adverse impact to the working capital and/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.

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, 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 Rule 32 of the Hong Kong Code on Takeovers and Mergers. 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 shareholding interests, may become obliged to make a mandatory offer in accordance

with Rules 26 and 32 of the Takeovers Code. Accordingly, during the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, the Directors and the Shareholders will act in compliance with the Hong Kong Code on Takeovers and Mergers as and when necessary.

As at the Latest Practicable Date, Winning Concept was beneficially interested in 72,696,876 Shares, representing approximately 51.34% of the issued share capital of the Company. Based on such level of shareholding and assuming that all Shareholders shall take up their respective entitlements under the Open Offer and in the event that the Directors shall exercise in full the power to repurchase Shares under the Repurchase Mandate, the aggregate shareholding of Winning Concept in the Company would be increased to approximately 57.04% of the issued share capital of the Company as enlarged by the Open Offer.

The Directors are not aware of any consequences which may arise under the Hong Kong Code on Takeovers and Mergers as a result of any repurchases made under the Repurchase Mandate. In the event that the Repurchase Mandate is exercised in full and assuming that all Shareholders shall take up their respective entitlements under the Open Offer, the number of Shares held by the public would not fall below 25% of the issued share capital of the Company as enlarged by the Open Offer.

None of the Directors, to the best of their knowledge and having made all reasonable enquiries, nor their associates have any intention to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised by the Directors. No connected person (as defined in the Listing Rules) of the Company have notified the Company that he/she/it has any intention to sell any Shares to the Company and no such person has undertaken not to sell any of the Shares to the Company in the event the Repurchase Mandate is approved by the Shareholders.

No securities have been repurchased by the Company or any of its subsidiaries during the six months preceding the date of this circular.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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, opinions expressed in the 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 herein misleading.

2. PARTICULARS OF DIRECTORS

Name	Address
<i>Executive Directors:</i>	
Mr. Liu	G/F, 50 Tin Hau Temple Road North Point Hong Kong
Ms. Lam	13C Braemar Hill Mansion 27 Braemar Hill Road Hong Kong
Mr. Yeung Wood Sang	Flat D, 18/F, Maple Mansion Taikooshing Quarry Bay Hong Kong
Mr. Wong Wing Cheong	Flat 2102, 21/F, Block B Nos. 25–27 Hong Shing Street Kornhill Quarry Bay Hong Kong
<i>Independent non-executive Directors:</i>	
Mr. Lee Hong Chak, Heili	240 Prince Edward Road Apt H-9 Kowloon Hong Kong
Ms. Hwang Sok In	Flat A3, 5/F, Merry Gardens 90 Kennedy Road Hong Kong

3. BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Liu, aged 47, is an executive director and the Chairman of the Company. He has over 15 years of professional experience in the fields of finance and accounting. Mr. Liu is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Society of Accountants. Mr. Liu is currently also the Chairman, an executive director and the company secretary of L.P. Lammas International Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange as well as director of several private companies in Hong Kong, which are principally engaged in marketing and investment holding, and are exploring business opportunities in the area of telecommunication.

Ms. Lam, aged 31, is an executive Director. She holds a master degree of science in engineering (communication engineering) from the University of Hong Kong and a bachelor degree of engineering in electrical engineering from the University of Technology, Sydney. Ms. Lam has over 4 years of experience in electrical engineering and telecommunication industries.

Mr. Yeung Wood Sang, aged 52, is an executive Director. He has 30 years of commercial banking experience with focus on commercial lending, credit control and trade finance. Mr. Yeung is an associate member of the Chartered Institute of Bankers. He was a director of a listed company in Hong Kong prior to joining the Group in January 2003.

Mr. Wong Wing Cheong, aged 40, is an executive director and the company secretary of the Company. Mr. Wong has obtained a Bachelor of Social Sciences degree in Management and Economics from the University of Hong Kong, and a Master of Business Administration degree in Investment and Finance from the University of Hull, United Kingdom. He has over 17 years of experience in the field of finance and accounting. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, the Institute of Chartered Secretaries and Administrators, and the Hong Kong Institute of Company Secretaries. He was the Chief Financial Officer of certain subsidiaries of a Hang Seng Index constituent public listed company in Hong Kong prior to joining the Group in December 2003.

Independent non-executive Directors

Mr. Lee Hong Chak, Heili, aged 65, graduated from the Massachusetts Institute of Technology with a bachelor's degree of science and a master's degree of science in engineering science in mechanical and electrical engineering. He has extensive experience in textile and garment industry, high technology energy projects and PRC infrastructure

such as container terminals, electric plants, freeway, bridges and wind turbine electric generation. Mr. Lee is currently engaged in the business of real estate and the latest third generation direct current motors and energy saving equipment.

Ms. Hwang Sok In, aged 49, received her Bachelor of Laws (LL. B) from Brunel University, United Kingdom in 1977. She currently practices as a solicitor at Hastings & Co, a firm of solicitors in Hong Kong. Ms. Hwang has 20 years of experience in the legal field.

4. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered and principal office

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business
in Hong Kong:*
1408, 14/F, Dina House
Ruttonjee Centre
No. 11 Duddell Street
Central
Hong Kong

Authorised representatives

Ms. Lam
Mr. Wong Wing Cheong

Company secretary

Mr. Wong Wing Cheong
FCCA, FHKSA, FCIS, FCS, MBA

Underwriter

Winning Concept Investments Limited
1408, 14/F, Dina House
Ruttonjee Centre
No. 11 Duddell Street
Central
Hong Kong

Legal advisers to the Company*As to Hong Kong Law*

Louis K.Y. Pau & Company, Solicitors
24/F., Euro Trade Centre
Nos. 13–14 Connaught Road Central
Hong Kong

As to Bermuda Law

Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

Auditors

Lam, Kowk, Kwan & Cheng
C.P.A. Limited (*Note*)
Room 1502–03A
15th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

Principal share registrar and transfer office

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudianna Road
Pembroke
Bermuda

Hong Kong branch share registrar and transfer office

Tengis Limited
G/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Principal bankers

Bank of America
Bank of China (Hong Kong) Limited
Fortis Bank
Liu Chong Hing Bank, Ltd.
Wing Hang Bank, Ltd.

Note: The audited financial statements of the Group, which are set out in appendix I to this circular and have been extracted from the Company's audited financial statements for the year ended 30th June, 2003, have been prepared by Law, Kwok, Kwan & Cheng C.P.A. Limited, who has resigned as the auditors of the Company with effect from 6th November, 2003.

5. SHARE CAPITAL

The authorised and issued share capital of the Company immediately following the completion of the Open Offer (assuming the Open Offer becoming unconditional) will be as follows:

<i>Authorised</i>	<i>HK\$</i>
20,000,000,000 Shares	200,000,000
<i>Issued, to be issued and fully paid:</i>	
	<i>HK\$</i>
141,600,000 Shares in issue	1,416,000
283,200,000 Shares to be issued pursuant to the Open Offer	2,832,000
<u>424,800,000</u>	<u>4,248,000</u>

The Offer Shares will, when allotted, issued and fully-paid, rank pari passu in all respects with the Shares then in issue on the Record Date including the right to receive all dividends and other distributions which may be declared, made or paid after the date in which the Offer Shares are allotted.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchanges. As at the Latest Practicable Date, there were no outstanding securities, options or warrants which were convertible into new Shares.

6. DISCLOSURE OF INTERESTS

(i) Directors

As at the Latest Practicable Date, the interests or short positions of each Director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (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 are taken or deemed to have under such provision of the SFO); or (b) were required to pursuant to Section 352 of the SFO to be entered in the register referred to therein; or

(c) were required to 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 were as follows:

Directors	Nature of interest	Number of Shares	Approximate Percentage
Mr. Liu (<i>Note</i>)	Corporate	72,696,876	51.34%
Ms. Lam (<i>Note</i>)	Corporate	72,696,876	51.34%
Mr. Yeung Wood Sang	Personal	2,556,963	1.81%

Note: The Shares are held by Winning Concept, the share capital of which is beneficially owned as to 89% by Ms. Lam and as to 11% by Mr. Liu.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning 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; 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 Code for Securities Transactions by the Directors adopted by the Company to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholder

As at the Latest Practicable Date, so far as is known to the Directors, the following parties, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provision of the Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Number of ordinary Shares	Approximate Percentage
Winning Concept (<i>Note</i>)	72,696,876	51.34%

Note: Winning Concept is beneficially owned as to 89% by Ms. Lam and as to 11% by Mr. Liu.

As far as the Directors are aware, save as disclosed herein, no other person was directly or indirectly beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at the Latest Practicable Date.

None of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

7. 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).

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years preceding the date of this circular and which are or may be material:

- a. a placing agreement dated 30th October, 2002 and entered into between the Company and Taiwan Concord Capital Securities (Hong Kong) Limited for the placing of 19,196,783 Shares at the placing price of HK\$0.138 per Share;
- b. a placing agreement dated 11th December, 2002 and entered into between the Company and Ever-Long Securities Company Limited for the placing of 9,340,000 Shares at the placing price of HK\$0.18 per Share;
- c. a placing agreement dated 11th December, 2002 and entered into between the Company and Taiwan Concord Capital Securities (Hong Kong) Limited for the placing of 12,040,000 Shares at the placing price of HK\$0.18 per Share;
- d. a placing agreement dated 11th December, 2002 and entered into between the Company and KIM ENG Securities (Hong Kong) Limited for the placing of 2,220,000 Shares at the placing price of HK\$0.18 per Share; and
- e. the Underwriting Agreement.

9. LITIGATION

On 10th November, 2000, the Company has been named as a defendant in a legal action in which a claim has been made against the Company for failure to pay, as the guarantor, an amount of approximately HK\$5,996,000 and related interest. The Directors, after seeking legal advice, are of the opinion that the eventual resolution of the legal action is unlikely to result in payment by the Group and no provision for any potential liability is required in the financial statements.

As at the Latest Practicable Date, save as the above, neither the Company nor any 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.

10. QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
CSC Asia	a deemed licensed corporation to undertake type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and being the financial adviser to the Independent Board Committee in relation to the Open Offer

As at the Latest Practicable Date, CSC Asia was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. CONSENT

CSC Asia has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter, report or certificate or summary of its opinion (as the case may be) and references to its names in the form and context in which they appear herein.

12. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30th June, 2003, the date to which the latest published audited financial statements of the Company were made up.

13. GENERAL

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) Save as disclosed above, no contracts of significance, to which the Company or any of its subsidiaries was a party, in which a Director had a material interest and which was significant in relation to the business of the Group, subsisted as at the Latest Practicable Date.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 1408, 14/F Dina House, Ruttonjee Centre, No. 11 Duddell Street, Central, Hong Kong during normal office hours on any weekday, except public holidays, from the date of this circular up to and including 18th February, 2004:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual report of the Group for each of the three years ended 30th June, 2001, 2002 and 2003;
- (c) the letter of advice from CSC Asia to the Independent Board Committee dated 2nd February, 2004, the text of which is set out on pages 21 to 31 of this circular;
- (d) the letter of consent from CSC Asia referred to in paragraph 11 of this appendix;
- (e) the letter of recommendation addressed to the Independent Shareholders from the Independent Board Committee, the text of which is set out on page 20 of this circular;
- (f) the Underwriting Agreement; and
- (g) the contracts (other than the Underwriting Agreement) referred to in the section headed "Material contracts" in paragraph 8 of this Appendix.

NOTICE OF SGM



WONDERFUL WORLD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Wonderful World Holdings Limited (the “**Company**”) will be held at 1408, 14/F Dina House, Ruttonjee Centre, No. 11 Duddell Street, Central, Hong Kong at 10:00 a.m. on 18th February, 2004 for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** conditional upon (i) the filing of the prospectus to be issued by Wonderful World Holdings Limited (the “**Company**”) in relation to the Open Offer (as defined below) and the form of application in respect of the assured allotment for the Offer Shares (as defined below) with the Registrar of Companies in Bermuda in accordance with the Companies Act; (ii) the delivery to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and filing and registration of all relevant documents relating to the Open Offer required by law to be registered with the Registrar of Companies in Hong Kong; (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having revoked the listing of, and permission to deal in, the Offer Shares (as defined below) in their fully-paid forms to be allotted and issued to the ordinary shareholders of the Company pursuant to the terms and conditions of the Open Offer (as defined below); (iv) the obligations of Winning Concept Investments Limited (the “**Underwriter**”) under the underwriting agreement (the “**Underwriting Agreement**” a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) dated 8th January, 2004 (as supplemented by the supplemental agreement dated 13th January, 2004) becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof on or before 4:00 p.m. on 5th March, 2004; and (v) compliance with all legal and regulatory requirements (if any) in respect of the Open Offer:
 - (a) the issue by way of an open offer (the “**Open Offer**”) of 283,200,000 new ordinary shares (the “**Offer Shares**”) of HK\$0.01 each in the capital of the Company to the ordinary shareholders of the Company whose names appear on the register of members of the Company on 18th February, 2004 (excluding those shareholders whose registered addresses as shown in the register of members of the Company on that date is outside of Hong Kong) on the basis of two Offer Shares for every one ordinary share of HK\$0.01

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each in the capital of the Company then held and otherwise pursuant to and in accordance with the terms and conditions set out in the circular dated 2nd February, 2004 despatched to the shareholders of the Company (the “**Circular**” a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) be and it is hereby approved;

- (b) the directors (the “**Directors**”) of the Company be and they are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholders of the Company and, in particular, the Directors be and they are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and overseas shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws or regulations of, or determining the extent of any such restrictions, obligations or requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company;
- (c) the Underwriting Agreement and the transactions contemplated thereby be and the same are hereby approved, confirmed and ratified; and
- (d) the Directors be and they are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as they consider necessary or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, including the satisfaction or fulfillment of any conditions to which the Underwriting Agreement is subject (subject to such variations which the Directors may consider necessary or desirable and in the best interests of the Company).”

2. “**THAT:**

- (a) subject to approval of Ordinary Resolution (1) above, and subject further to paragraph (c) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors (the “**Directors**”) of Wonderful World Holdings Limited (the “**Company**”) during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with unissued ordinary shares (the “**Shares**”) of HK\$0.01 each in the capital of the Company or securities convertible into Shares and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

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- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
 - (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution as enlarged (subject to the completion of the Open Offer (as defined below)) by the allotment and issue of the Offer Shares (as defined below); and
 - (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution as enlarged (subject to the completion of the Open Offer) by the allotment and issue of the Offer Shares (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution as enlarged by the allotment and issue of the Offer Shares),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;

- (d) the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with Shares as approved by the shareholders of the Company in the annual general meeting held on 7th November, 2003 to the extent not already exercised be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution); and

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- (e) for the purposes of this resolution:

“**Open Offer**” and “**Offer Shares**” have the meanings ascribed to them in the circular of the Company to its shareholders dated 2nd February, 2004;

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

3. “**THAT:**

- (a) subject to approval of Ordinary Resolution (1) above, and subject further to paragraph (b) below, the exercise by the directors (the “**Directors**”) of Wonderful World Holding Limited (the “**Company**”) during the Relevant Period (as defined below) of all powers of the Company to purchase ordinary shares (the “**Shares**”) of HK\$0.01 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong (the “**SFC**”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange, and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

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- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of the passing of this resolution as enlarged (subject to the completion of the Open Offer (as defined below)) by the allotment and issue of the Offer Shares (as defined below) and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;
- (c) the general mandate granted to the Directors to exercise the powers of the Company to purchase the securities of the Company as approved by the shareholders of the Company in the annual general meeting held on 7th November, 2003 be and it is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (d) for the purposes of this resolution:

“**Open Offer**” and “**Offer Shares**” have the meanings ascribed to them in the circular of the Company to its shareholders dated 2nd February, 2004;

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the applicable law or the bye-laws of the Company to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”
4. “**THAT**, the directors of Wonderful World Holding Limited (the “**Company**”) be and they are hereby authorised to exercise the authority referred to in paragraph (a) of ordinary resolution numbered 2 above in respect of the share capital of the Company referred to in subparagraph (bb) of paragraph (c) of such resolution.”
5. “**THAT**, the Chinese name of “**榮德豐控股有限公司**” be and is hereby adopted for identification purpose and for registration as the Chinese name of Wonderful World Holdings Limited (the “**Company**”) in Hong Kong and the directors of the Company be and they are hereby authorised to do all such acts and things and execute all documents they consider necessary or expedient to give effect to the change of name of the Company”.

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6. “**THAT** Deloitte Touche Tohmatsu be appointed as auditors of Wonderful World Holdings Limited (the “**Company**”) to fill the vacancy created by the resignation of Lam, Kwok, Kwan & Cheng C.P.A. Limited with effect from 18th February, 2004, until the conclusion of the next annual general meeting and that the directors of the Company be authorized to fix the remuneration of the auditors.

By Order of the Board
Wonderful World Holdings Limited
Liu Ka Lim
Chairman

Hong Kong, 2nd February, 2004

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business in Hong Kong:*
1408, 14/F Dina House
Ruttonjee Centre
No. 11 Duddell Street
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
2. A form of proxy for use at the special general meeting is enclosed herewith. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company’s Hong Kong branch registrar, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.