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## **ANNOUNCEMENT**

This announcement is for information purposes made further to the announcement of the Company dated 6th August 2003.

At the time of acquisition of Korning, Mr. Brian Chen, the vendor, was a 37.5% shareholder of CCCM which entered into conditional investment management agreement with the Company on 18th February 2002. The Stock Exchange considered Mr. Brian Chen was a connected person of the Company and such acquisition constituted a connected transaction of the Company. The Stock Exchange reserved the right to take action against the Company and its directors for the breach of Listing Rules 14.26.

The Company's total investment in Yanion group was over 20% of the Company's net assets value at the time when the investment in Korning and Modern Vocal were made. Stock Exchange considered such acquisitions constituted breach of Listing Rules 21.04(3)(b). The directors of the Company considered that the nature of investments and business of Korning and Modern Vocal is different and the Company is in the process of considering alternatives either to enlarge capital base of the Company or to dispose certain investments in Yanion Group.

The announcement dated 6th August 2003 mentioned that the Company was negotiating with Yacata and Korning with a view to extend the deadline for the Company's contribution and maintain the Company's shareholding percentage in Korning, the request was eventually declined by Yacata in December 2003. Yacata was entitled to subscribe for further shares in Korning at the subscription price which is equal to 90% of the fair value of each Korning share pursuant to Shareholders' Agreement. Yacata had subscribed for the 115 shares in Korning at a total consideration of RMB8,328,313 (equivalent to approximately HK\$7,851,977) which was completed on 2nd January 2004. Subsequent to the completion of the additional subscription by Yacata, the Company's interest in Korning has been diluted from 13% to 6%. The Company has proposed to dispose of all its remaining 6% shares in Korning to Yacata, negotiation is at a preliminary stage and no detailed terms have been agreed between the parties.

Further to the announcement of the Company dated 6th August 2003 regarding the Company's interest in Korning, the Company would like to provide the following additional information. Terms used in this announcement shall have the same meanings as those defined in the announcement dated 6th August 2003.

1. The acquisition of Korning was approved by the board of directors of the Company on 16th April 2002 and an agreement was entered into between Mr. Brian Chen Wen-Suei (“Mr. Brian Chen”) and the Company on the same date. Mr. Brian Chen agreed to sell 13% of the issued share capital of Korning to the Company, the consideration was US\$2.2 million. At the time of acquisition, Mr. Brian Chen was a 37.5% shareholder of China Core Capital Management Limited (“CCCM”) which entered into a conditional investment management agreement with the Company on 18th February 2002 as mentioned in page 44 of the prospectus of the Company dated 19th February 2002. The Stock Exchange of Hong Kong Limited (“Stock Exchange”) considered Mr. Brian Chen was a connected person of the Company and such acquisition constituted a connected transaction of the Company. The Company has failed to comply with connected transaction requirements under Listing Rule 14.26 in respect of such acquisition. Stock Exchange reserved the right to take action against the Company and its directors for the breach of Listing Rules. CCCM obtained the approval for registration as an investment adviser under the Securities and Futures Ordinance in November 2002 and has been appointed as the investment manager of the Company since 1st January 2003 pursuant to the terms of conditional investment management agreement. The board of Directors considered such arrangement was not committed with intent and the Company has since enhanced the process of investment evaluation to avoid any breach of the Listing Rule in future. The Company has also designated an officer to ensure the compliance of the Listing Rules and any investment restriction in future investments. In October 2003, Mr. Brian Chen disposed his entire shareholding of CCCM.
2. Pursuant to Listing Rules Chapter 21.04(3)(b), the Company should maintain a reasonable spread of investments, which generally means any single investment of the Company should not exceed 20% of the Company’s net asset value. As mentioned in the final results announcement of the Company dated 15th April 2003, the Company acquired 4.91% interest in Yanion, 19% interest in Modern Vocal Limited (“Modern Vocal”) and 13% interest in Korning in 2002. Modern Vocal and Korning are both subsidiaries of Yanion, Stock Exchange considered such acquisitions constituted breach of Listing Rules 21.04(3)(b) as the Company’s total investments in Yanion group was over 20% of the Company’s net assets value. The directors of the Company considered that the nature of investments and business of Korning and Modern Vocal is different even the aggregate value of the Company’s investments in Yanion group exceeded 20% of the Company’s net asset value at the time when the investments in Korning and Modern Vocal were made. In order to reduce the proportion of total investments in Yanion Group in the Company’s investment portfolio, the Company is in the process of considering alternatives either to enlarge capital base of the Company or to disposal certain investments in Yanion group. The Company will make further announcement when a concrete plan has been decided.
3. Pursuant to the shareholders’ agreement entered into between Yacata, Korning and the Company dated 1st August 2002 (“Shareholders’ Agreement”), the Company had made an advance to Korning of RMB1.5 million which is in proportion to its shareholding in Korning for the initial 15% of the required contribution to Huayi in August 2002. The advancement is repayable by Korning to the Company. The Company did not make further advancement to Korning for the remaining proportionate share of capital contribution to Huayi by the deadline of fully pay up the registered capital requirement of Huayi on 26th July 2003. The announcement dated 6th August 2003 mentioned that the Company was negotiating with Yacata and Korning with a view to extend the deadline for the Company’s contribution and maintain the Company’s shareholding percentage in Korning, the request was eventually declined by Yacata in December 2003. Yacata was entitled to subscribe for further shares in Korning at the subscription price (“Subscription Price”) which is equal to 90% of the fair value of each Korning share pursuant to Shareholders’ Agreement. Determined by an independent accountant, the subscription price was HK\$68,169 per Korning share and that an

additional 115 shares in Korning should be issued by Korning to Yacata, Yacata, which is not a connected person as defined under Listing Rules, had subscribed for the 115 shares in Korning at a total consideration of RMB8,328,313 (equivalent to approximately HK\$7,851,977) which was completed on 2nd January 2004. Subsequent to the completion of the additional subscription by Yacata, the issued share capital of Korning has been increased from 100 shares to 215 shares of US\$1 each. The Company continues to hold 13 shares of Korning but its interest in Korning has been diluted from 13% to 6%. As a result of subscription by Yacata, the financial impact to the Company is that the Company will decrease its share of attributable profits or losses from the Korning group from 13% to 6%. The Company has proposed to dispose of all its remaining 6% shares in Korning to Yacata (“Proposal”), however negotiation is at a preliminary stage and no detailed terms have been agreed between the parties as at the date of this announcement. The Company will make an announcement if an agreement can be reached on the Proposal.

By Order of the Board  
**Ma Kam Fook, Robert**  
*Director*

Hong Kong, 4th February 2004

“Please also refer to the published version of this announcement in The Standard”.