

APPENDIX I – EXPLANATORY STATEMENT

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this explanatory statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this explanatory statement.

EXPLANATORY STATEMENT ON GENERAL MANDATE TO REPURCHASE SHARES

At the last annual general meeting of the Company held on 28 May 2004, the Directors of the Company were given a general and unconditional mandate to exercise all powers of the Company to repurchase shares on the Stock Exchange in the Company. This mandate will lapse at the conclusion of the forthcoming Annual General Meeting of the Company.

At the forthcoming of the annual general meeting of the Company to be held on 17 June 2005 (“Annual General Meeting”), an ordinary resolution will be proposed to seek shareholders’ approval for the renewal of the general and unconditional mandate given to the Directors of the Company to exercise all powers of the Company to repurchase shares on the Stock Exchange in the Company up to a maximum of 10% of the shares of the Company in issue at the date of passing the ordinary resolution (the “Repurchase Mandate”). At the same meeting, an ordinary resolution for granting the Directors of the Company a general mandate to exercise all powers of the Company to allot, issue or otherwise deal with shares of the Company up to a maximum of 20% of the shares of the Company in issue at the date of passing this resolution (the “Issue Mandate”) and an ordinary resolution for the extension of the Issue Mandate by adding to the aggregate number of shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Issue Mandate the number of shares purchased under the Repurchase Mandate, if granted, will be proposed.

This explanatory statement includes information required under the Listing Rules to be given to the Shareholders of the Company (the “Shareholders”) regarding the proposed Repurchase Mandate to be granted to the Directors of the Company.

The Stock Exchange Rules for Share Repurchases

The following is a summary of the principal provisions of the Listing Rules relating to the repurchase of its shares on the Stock Exchange by a company whose primary listing is on the Stock Exchange:

(a) *Shareholders’ approval*

The Listing Rules provide that all share repurchases on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific resolution in relation to specific transactions. The shares to be repurchased are fully paid. The Listing Rules require an explanatory statement such as is contained herein to be sent to Shareholders to give Shareholders adequate information to enable them to decide whether to approve the mandate.

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(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Company's Memorandum and Articles of Association (the "Memorandum" and "Articles") and the Companies Law of the Cayman Islands (the "Companies Law"). A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if so authorised by the Articles and subject to the Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of the Company and its Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per share and/or earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) No material adverse changes

As compared with the position disclosed in the Company's audited financial statements as at 31 December 2004, and taking into account the current working capital position of the Company, the Directors consider that no material adverse effect on the working capital and gearing position of the Company may result in the event that the Repurchase Mandate was to be exercised in full in the period before the Repurchase Mandate expires. The Directors however 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.

Exercise in full of the Repurchase Mandate, on the basis of 480,000,000 existing ordinary shares of HK\$0.01 each of the Company and on the basis that no new shares are issued or repurchased prior to the date of the resolution approving the Repurchase Mandate could accordingly result in up to 48,000,000 shares, representing 10% of the issued share capital as at 26 April 2005, being the latest practicable date prior to printing of this explanatory statement for ascertaining certain information contained herein (the "Latest Practicable Date"), and being repurchased by the Company during the course of the period from the date of resolution granting the Repurchase Mandate until the earlier of (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of the Company or any applicable law of the Cayman Islands to be held; or (iii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting.

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(e) Share prices

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

	Shares	
	Highest HK\$	Lowest HK\$
2004		
April	0.135	0.130
May	0.125	0.080
June	0.130	0.125
July	0.152	0.130
August	0.152	0.152
September	0.152	0.152
October	0.170	0.152
November	0.170	0.170
December	0.170	0.170
2005		
January	0.170	0.160
February	0.160	0.149
March	0.149	0.149
April (up to the Latest Practicable Date)	0.149	0.149

(f) Undertaking

To the best of their knowledge, having made all reasonable enquiries, none of the Directors nor any of their associates currently intend to sell any Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands.

As at the Latest Practicable Date, no connected persons (as defined in the Listing Rules) has notified the Company that they have a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

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(g) Hong Kong Code on Takeovers and Mergers

The table below sets out the shareholding structure as at the Latest Practicable Date and the respective shareholding structure of the Company upon exercise of the Repurchase Mandate.

	Before exercise of Repurchase Mandate		After exercise of Repurchase Mandate (Note)	
	Number of Shares	Approximate percentage of holding Shares	Number of Shares	Approximate percentage of holding Shares
Cosmopolitan International Holdings Limited	126,412,000	26.34%	126,412,000	29.26%
Wan Chuen Chung, Joseph Kenfair International (Holdings) Limited	95,976,000	19.99%	95,976,000	22.22%
Lam Sai Mann	92,616,000	19.30%	92,616,000	21.44%
Cheng Fat Ning, Lenda Public	45,600,000	9.50%	45,600,000	10.56%
	44,164,000	9.20%	44,164,000	10.22%
	75,232,000	15.67%	27,232,000	6.30%
Total	480,000,000	100.00%	432,000,000	100.00%

Note: Assume the Repurchase Mandate is fully exercised.

In the event that the Directors exercise the Repurchase Mandate (if the Repurchase Mandate is approved in the Annual General Meeting) in full to repurchase Shares in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting and assuming no further Shares are issued or repurchased by the Company prior to any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will not be treated as an acquisition for the purpose of The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder, or group of Shareholders acting in concert, would not obtain or consolidate control of the Company and would not become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the Directors are not aware of any Shareholders, or a group of Shareholders acting in concert, who may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power to repurchase Shares pursuant to the Repurchase Mandate.

During the period since its last annual general meeting held on 28 May 2004 to the Latest Practicable Date, the Company has not repurchased (whether on the Stock Exchange or otherwise) any Shares.

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(h) Share repurchase made by the Company

The Company has not repurchased any of its shares, whether on the Stock Exchange or otherwise, during the previous six months preceding the Latest Practicable Date.

PROCEDURES FOR DEMAND A POLL

Pursuant to the Article 66 of the Articles of Association, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on withdrawal of any other demand for a poll) a poll is demanded. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder.