
IMPORTANT

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

If you have sold or transferred all your shares in Fong's Industries Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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FONG'S INDUSTRIES COMPANY LIMITED

立信工業有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

DISCLOSEABLE TRANSACTION

* *For identification only*

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DEFINITIONS

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

| | |
|------------------------|--|
| “Acquisition” | the acquisition by FNECL of the Assets, the IP-Rights and the Business Real Estate from the Seller, pursuant to the Agreement and the Real Estate Agreement respectively |
| “Agreement” | a final transaction agreement signed on 31 July, 2004 between FNECL and the Seller in respect of the acquisition of the Assets, the IP-Rights and the Business Real Estate (which shall be dealt with and governed by the Real Estate Agreement) |
| “Assets” | Fixed Assets, Inventory, WIP and Finished Goods of STG and TG to be transferred by the Seller to the Group under the Agreement with an aggregate value of Euro 1.75 million (equivalent to approximately HK\$16.42 million) |
| “associates” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Brand Names” | any and all trademarks, brand names, trade names, company names, domain names and designations whatsoever used in the business of STG and TG |
| “Business Day” | a day on which banks in Hong Kong and Schwäbisch-Hall in Germany are open for business |
| “Business Real Estate” | a 43,560 square-metre land parcel improved with buildings and structures thereon having a gross floor area of 14,067 square metres and land improvements situated at Milchgrundstr.32, 74544 Michelbach a.d. Bilz, Baden-Württemberg, Germany with value of Euro 2 million (equivalent to approximately HK\$18.76 million) as at the Cut Off Date and registered in the name of TG as sole owner |
| “Closing” | consummation of the transactions contemplated in the Agreement and/or the Real Estate Agreement as the case may be |
| “Closing Date” | 6 August, 2004 |

DEFINITIONS

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| “Company” | Fong’s Industries Company Limited, an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange |
| “Cut Off Date” | 1 August, 2004 |
| “Designs” | any and all designs, in particular including registered designs, including any applications relating thereto used by any of STG and TG for the conduct of their business |
| “Director(s)” | the director(s) of the Company |
| “Drawings” | any and all drawings relating to the design, manufacturing, improvement, adaptation of the products of STG and TG |
| “Finished Goods” | the finished goods with an aggregate value of Euro 150,000 (equivalent to approximately HK\$1.41 million) listed out in the Agreement |
| “Fixed Assets” | the fixed assets with an aggregate value of Euro 675,000 (equivalent to approximately HK\$6.33 million) belonging to STG and TG as at the Cut Off Date consisting of facilities and machines as well as operating and business equipment as set out in the Agreement |
| “FNECL” | Fong’s National Engineering Company, Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of The People’s Republic of China |
| “Inventory” | the inventory with an aggregate value of Euro 675,000 (equivalent to approximately HK\$6.33 million) belonging to STG and TG as at the Cut Off Date consisting of raw materials, supplies and operating materials as set out in the Agreement |

DEFINITIONS

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|---------------------------|---|
| “IP-Rights” | Patents, utility Patents, Trade Marks, Brand Names and other designations, Designs, Drawings and Know-How of STG and TG with an aggregate value of Euro 2,097,000 (equivalent to approximately HK\$19.67 million) as at the Cut Off Date |
| “Know-How” | any and all other intellectual property rights such as in particular copyrights, copyrights in design drawings, approval drawings, production drawings, software, product description, hand books, calculations, know-how, business and trade secrets, construction know-how, transferable licenses, domain names, results of research and development products used by any of STG and TG for the conduct of their business |
| “Latest Practicable Date” | 19 August, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Patents” | any and all patents and utility patents owned by STG and TG including any application for any patent in particular as set out in the Agreement |
| “Real Estate Agreement” | the Real Estate Sale and Purchase Agreement dated 31 July, 2004 entered into between FNECL and the Seller in respect of the acquisition of the Business Real Estate |
| “Seller” | Mr. Gerhard Tonhäuser, Attorney-at-law in Germany, acting in his capacity as interim insolvency administrator for STG and TG, who has been granted the authority to administer and to dispose of the estates of STG and TG |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “ST” | Scholl-Then AG, the holding company of STG and TG, which was incorporated in Switzerland and is currently in bankruptcy liquidation |
| “ST Group” | ST and its wholly-owned subsidiaries including STG and TG |

DEFINITIONS

| | |
|-------------------------------|--|
| “STG” | SCHOLL-THEN GmbH, a limited liability company incorporated in Germany |
| “Shareholder(s)” | holder(s) of share(s) of HK\$0.1 each in the capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Swiss Transaction Agreement” | an agreement, for which FNECL and the interim insolvency administrator of two Swiss member companies of ST Group, which are also under liquidation, are currently negotiating in relation to a proposed acquisition of intellectual properties from the estate of the two Swiss member companies at a consideration of CHF450,000 (equivalent to approximately HK\$2.76 million) |
| “TG” | Then Maschinen- und Apparatebau GmbH, a limited liability company incorporated in Germany |
| “Trade Marks” | any and all trade and service marks including any applications relating thereto in particular as set out in the Agreement |
| “WIP” | the semi finished goods with an aggregate value of Euro 250,000 (equivalent to approximately HK\$2.35 million) belonging to STG and TG as at the Cut-Off Date as set out in the Agreement |
| “Euro” | the lawful currency of the European Union |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “CHF” | the lawful currency of Switzerland |
| “%” | per cent. |

Unless otherwise specified, the conversion of Euro into HK\$ and CHF into HK\$ in this circular is based on the approximate exchange rate of 1 Euro to HK\$9.38 and 1 CHF to HK\$6.13 respectively.

LETTER FROM THE BOARD



FONG'S INDUSTRIES COMPANY LIMITED

立信工業有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

Board of Directors:

Executive Directors:

Mr. Fong Sou Lam (*Chairman*)
Mr. Lee Che Chiu (*Managing Director*)
Mr. Fong Kwok Leung, Kevin
Mr. Fong Kwok Chung, Bill
Mr. Mo Yiu Leung, Jerry
Mr. Cheuk Hon Kin, Kelvin
Dr. Tsui Tak Ming, William
Ms. Poon Hang Sim, Blanche

Independent Non-executive Directors:

Mr. Cheung Chiu Fan
Mr. Liu Chi Lung, Louis

Registered office:

Canon's Court,
22 Victoria Street,
Hamilton HM12,
Bermuda

Head office and principal place of business:

8th Floor,
22-28 Cheung Tat Road,
Tsing Yi,
Hong Kong

24 August 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 4 August, 2004, the Board made an announcement that on 31 July, 2004 FNECL, a wholly-owned subsidiary of the Company, entered into (i) the Agreement with the Seller whereby FNECL has agreed to acquire from the Seller the Assets and IP-Rights for a cash consideration of Euro 3.847 million (equivalent to approximately HK\$36.08 million) and the Business Real Estate (which shall be dealt with and governed by the Real Estate Agreement); and (ii) the Real Estate Agreement whereby FNECL has agreed to acquire from the Seller the Business Real Estate for a cash consideration of Euro 2 million (equivalent to approximately HK\$18.76 million). The Seller, STG and TG and their respective ultimate beneficial owners are all independent third parties not connected with the directors, chief executives, substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules).

Upon completion, the Group will have exclusive ownership and possession of the Assets, IP-Rights and Business Real Estate, all of which are related to manufacture and sale of dyeing machines.

LETTER FROM THE BOARD

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with details of the Acquisition and other information in respect of the Group.

THE ACQUISITION

- (i) **The Agreement; and**
- (ii) **the Real Estate Agreement**

Date: 31 July, 2004

Parties

Purchaser FNECL

FNECL is entitled to a right to nominate its fellow subsidiary(ies) to take up all or any of its rights and obligations according to the Agreement and the Real Estate Agreement

Vendor Seller, Mr. Gerhard Tonhäuser, Attorney-at-law in Germany, an independent party of STG and TG who is acting in his capacity as interim insolvency administrator for STG and TG, and has been granted the authority to administer and to dispose of the estates of STG and TG

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Directors confirm that the Seller, STG, TG and their respective ultimate beneficial owners are not connected persons (as defined under the Listing Rules) of the Group.

When the Group was aware of the news of the liquidation of STG and TG, the Board directly approached the Seller to offer for the Acquisition. Prior to the signing of the Agreement and the Real Estate Agreement, there was no business relationship between the Group and the Seller nor STG/TG.

STG and TG are related to the extent that they are fellow subsidiaries of ST Group.

Assets to be acquired

- (i) *The Agreement*
 - (a) Assets;
 - (b) IP-Rights; and
 - (c) Business Real Estate (which shall be dealt with and governed by the Real Estate Agreement).

LETTER FROM THE BOARD

(ii) The Real Estate Agreement

The Business Real Estate is currently used for the manufacture and storage of dyeing machines in relation to textile industry and relevant administration by TG.

Consideration

(i) The Agreement

The consideration of Euro 3.847 million (equivalent to approximately HK\$36.08 million) comprises purchase prices for acquisition of the Assets and IP-Rights.

(ii) The Real Estate Agreement

The consideration of Euro 2 million (equivalent to approximately HK\$18.76 million) for the Business Real Estate.

The total consideration for the Acquisition is Euro 5.847 million (equivalent to approximately HK\$54.84 million), which will be wholly financed by internal resources of the Group.

Basis of consideration

The total consideration of Euro 5.847 million (being Euro 3.847 million plus Euro 2 million) (equivalent to approximately HK\$54.84 million) for the Acquisition was arrived at arm's length negotiations between the Group and the Seller based on normal commercial terms after having taken into consideration, among others, the liquidation status of the STG and TG which provides a basis for the valuation of the assets at the net realizable value as of Cut Off Date in the specific industry of STG and TG. There is no separate basis for the consideration for each individual asset comprising the Assets, the IP-Rights and the Business Real Estate under the Acquisition the consideration of which is negotiated on a collective basis.

Prior to the signing of the Agreement and the Real Estate Agreement, the Group has not performed any operation nor financial due diligence review.

On the other hand, the Group has appointed a professional valuer, an independent third party not connected with the directors, chief executives, substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules), to carry out independent valuations on the Assets, the IP-Rights and the Business Real Estate on both liquidation basis and going concern basis for reference purpose.

The Assets and the IP-Rights as of 23 July, 2004 were valued at an aggregate value of Euro 7,030,800 (equivalent to approximately HK\$65.95 million) on a going concern basis and at Euro 1,679,000 (equivalent to approximately HK\$15.75 million) on a liquidation basis.

LETTER FROM THE BOARD

The Business Real Estate as of 15 May, 2004 was valued at Euro 4.75 million (equivalent to approximately HK\$44.56 million) on the premise of open market value and at Euro 3.42 million (equivalent to approximately HK\$32.08 million) on a liquidation basis.

The Directors negotiated with the Seller and determined the consideration for the Acquisition by making reference to an amount between the liquidation basis and going concern basis and the Directors believe that the consideration for the Acquisition, arrived at a collective basis, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment terms of the Consideration

(i) *The Agreement*

The consideration amounting to Euro 3.847 million (equivalent to approximately HK\$36.08 million) will be payable in the following manner:

First installment: Euro 2.397 million (equivalent to approximately HK\$22.48 million) payable no later than the Closing Date of the Agreement, which shall take place on 6 August 2004

Second installment: Euro 0.95 million (equivalent to approximately HK\$8.91 million) payable on the completion of Swiss Transaction Agreement which is expected by FNECL to occur in the latter half of August 2004
(note)

Third installment: Euro 0.5 million (equivalent to approximately HK\$4.69 million) payable upon the expiration of the warranty period, which shall occur after six months of the Closing Date of the Agreement

As at the Latest Practicable Date, the Group has paid the first installment and the ownership and possession of the Assets had been transferred to the Group. Nevertheless, the transfer of the IP-Rights to the Group will become effective with the registration of the transfer of ownership in the respective registers of the relevant jurisdictions. Applications for registration of the IP-Rights have been made and the registration of IP-Rights has not yet become effective.

Note: FNECL is **currently negotiating** with the interim insolvency administrator of two Swiss member companies of ST Group, namely ST and Scholl Switzerland AG (“SAG”) which are also under liquidation, in relation to a proposed acquisition of intellectual properties from the estates of ST and SAG at a consideration of CHF450,000 (equivalent to approximately HK\$2.76 million). The intellectual properties owned by ST and SAG are complementary to the IP-Rights. ST, SAG and their interim insolvency administrator are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Group.

LETTER FROM THE BOARD

(ii) The Real Estate Agreement

The purchase of the Business Real Estate for Euro 2.0 million (equivalent to approximately HK\$18.76 million) will be due for payment two weeks after the notary having confirmed (i) registration of a reservation in rank and title with the land authority in favour of FNECL and (ii) mortgagees' consents to discharge the legal charges against the Business Real Estate before the end of September 2004 such that the Business Real Estate is free from any mortgage. **At as the Latest Practicable Date, the condition (i) as set out above has completed and the notary is arranging the execution of the condition (ii) as set out above.**

The Directors consider the terms of the Acquisition including the consideration and the payment terms are fair and reasonable to the Company and the Shareholders and in the interest of the Company and the Shareholders as a whole.

Conditions Precedent to Completion

(i) The Agreement

Closing of the Agreement shall occur on 6 August, 2004 conditional upon fulfillment of the following conditions precedent:

1. There shall not have occurred an event materially, adversely affecting STG and TG, their business, any of the Assets, or FNECL or its business or financial situation;
2. There shall not have been any claim or action of whatever nature seeking to prevent the consummation of the transactions contemplated by the Agreement (including, but without limitation, the aforesaid discharge of legal charges); and
3. FNECL shall have the right but not the obligation to waive in writing any one, several or all of the aforesaid conditions.

Closing of the Agreement has occurred as the above conditions had been fulfilled on 6 August, 2004.

(ii) The Real Estate Agreement

Completion of the Real Estate Agreement is conditional upon receiving a written notice from the notary confirming mortgagees' consents to discharge the relevant legal charges and in two weeks' time thereafter, FNECL shall pay into the notary's escrow account the purchase price in the sum of Euro 2 million to trigger off the conveyance. However, according to the Real Estate Agreement, each party thereto shall have the right to rescind the Real Estate Agreement, if the conditions precedent to the Closing Date set out in the Agreement have not been fulfilled on 30 September, 2004 at the latest.

LETTER FROM THE BOARD

There is no damage clause stipulated in neither the Agreement nor the Real Estate Agreement. In the event that the conditions in relation to the Agreement or Real Estate Agreement cannot be fulfilled before 30 September, 2004, the Group is entitled to receive full repayment of any consideration paid without interest.

The Directors confirm that the Agreement, the Real Estate Agreement and the Swiss Transaction Agreement are complementary to each other for the Group's operation. In the event that any one of these agreements cannot become unconditional, the Group will not proceed with the remaining agreements and will be entitled to receive full repayment of any installment paid for the Acquisition.

Information of STG and TG in ST Group

ST Group was formed in November 2002 as a result of the merger of a Swiss group "SCHOLL SWITZERLAND AG" founded in 1937 and a German group founded in 1919 comprising STG and TG which were specialized in manufacture of dyeing machines for the textile industry. STG and TG had been the major operating arms of ST Group which were engaged in the design, manufacture and sales of dyeing machines under the common name "SCHOLL-THEN".

However, STG and TG underwent bankruptcy liquidation in May 2004. The Seller has been appointed as interim insolvency administrator for STG and TG by decisions of the Local Court of Heilbronn in Germany dated 12 May, 2004 and 14 May, 2004 respectively. By further decision of the Local Court of Heilbronn dated 18 June, 2004, the Seller has been granted the authority to administer and to dispose of the estates of STG and TG.

Reasons of the Acquisition

The Group's core business is in the design, manufacture and sales of dyeing and finishing machines in addition to the trading of stainless steel, manufacture and sale of stainless steel casting products and property holding,

Through the Acquisition, the Group will be able to further complement its product range in the field of dyeing and finishing machines and will also acquire a well-established brand name in addition to its own brand of "FONG'S". Moreover, it will allow the Group to leverage and extend its sales network worldwide and enable cross-marketing of Fong's products and Then's products on a worldwide market basis. In general, the Acquisition will further enhance the Group's strategy of providing its customer with the widest range of products and with the latest technology in the field of design, manufacture and sales of dyeing and finishing machines. It is foreseeable that cross-fertilization of research and development will take place between the Chinese and the German research and technical teams within the Group, and continuous innovation and technological development will therefore be ensured.

LETTER FROM THE BOARD

Upon completion, the Group will have exclusive ownership and possession of the Assets, the IP-Rights and Business Real Estate, all of which are related to manufacture and sale of dyeing machines. According to the Group's accounting policies, Fixed Assets with Euro 675,000 (equivalent to approximately HK\$6.33 million), IP-Rights with Euro 2,097,000 (equivalent to approximately HK\$19.67 million) and Business Real Estate with Euro 2 million (equivalent to approximately HK\$18.76 million) are subject to depreciation or amortisation at **20%, 20% and 2% respectively. The Directors estimate that the total annual depreciation or amortisation in relation to these assets of approximately HK\$5.58 million will be charged to the Group's income statement** immediately after the Acquisition. However, the Directors consider the synergy effect arising from the Acquisition will broaden the Group's revenue base and are of the view that the overall earnings of the Group can be enhanced.

As the Acquisition will be funded by the internal resources of the Group, there will have no material effect on the assets and liabilities of the Group. Accordingly, the Directors confirm that, in the event that the Acquisition could not proceed, there will not be any material adverse operational impact on the Group.

Accordingly, the Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Fong Sou Lam
Chairman

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 and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which required notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Long positions in Shares

| Name of Director | Nature of interest | Number of Shares held | Percentage of shareholding in the Company |
|-------------------------------|--|-----------------------|---|
| Mr. Fong Sou Lam | Beneficial owner | 17,604,000 | 3.14% |
| Mr. Fong Kwok Leung, Kevin | Beneficial owner | 1,550,000 | 0.28% |
| | Held by spouse | 200,000 | 0.03% |
| | Held by discretionary trusts (<i>note</i>) | 304,875,601 | 54.40% |
| | | 306,625,601 | 54.71% |
| Mr. Fong Kwok Chung, Bill | Beneficial owner | 2,998,000 | 0.54% |
| | Corporate interest | 1,292,000 | 0.23% |
| | Held by discretionary trusts (<i>note</i>) | 304,875,601 | 54.40% |
| | | 309,165,601 | 55.17% |

| Name of Director | Nature of interest | Number of Shares held | Percentage of shareholding in the Company |
|-------------------------------|---------------------------|------------------------------|--|
| Mr. Cheuk Hon Kin, Kelvin | Beneficial owner | <u>100,000</u> | <u>0.02%</u> |
| Ms. Poon Hang Sim, Blanche | Beneficial owner | <u>150,000</u> | <u>0.03%</u> |

Note: The 304,875,601 shares are owned by two discretionary trusts, the beneficiaries of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other Fong's family members. These shares represented an interest duplicated amongst those two Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which required notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or in any options in respect of such capital:

| Name of Shareholder | <i>Notes</i> | Nature of interest | Number of Shares held | Percentage of shareholding in the Company |
|----------------------------------|--------------|---------------------------|------------------------------|--|
| GBOGH Assets Limited | (1) and (2) | Beneficial owner | 287,397,360 | 51.28% |
| The Capital Group Companies Inc. | | Beneficial owner | 49,831,300 | 8.89% |

Notes:

- (1) GBOGH Assets Limited is owned by a discretionary trust, the beneficiary of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other Fong's family members.
- (2) The following companies are wholly-owned by GBOGH Assets Limited and their respective interests, as listed below, in the shares of the Company are included in the 287,397,360 Shares listed under GBOGH Assets Limited:

| Name of Shareholder | Nature of interest | Number of Shares held | Percentage of shareholding in the Company |
|------------------------------------|--------------------|-----------------------|---|
| Sheffield Holdings Company limited | Beneficial owner | 58,197,360 | 10.39% |
| Reeds Limited | Beneficial owner | 57,600,000 | 10.28% |
| Runaway Holdings Limited | Beneficial owner | 57,600,000 | 10.28% |
| Derby Holdings Company Limited | Beneficial owner | 48,000,000 | 8.56% |
| Polar Bear Holdings Limited | Beneficial owner | 48,000,000 | 8.56% |
| Bristol Investments Limited | Beneficial owner | 18,000,000 | 3.21% |

Save as disclosed above, as at the Latest Practicable Date, there were no other persons (other than the Directors or the chief executive of the Company) who was recorded in the register of the Company as having an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or in any options in respect of such capital.

4. SERVICE CONTRACT

Mr. Cheung Chiu Fan was appointed under a contract for a term of 2 years commencing on 1 January, 2003 and expiring on 31 December, 2004, while Mr. Lui Chi Lung, Louis was appointed under a contract for a term of 2 years commencing on 9 September, 2002 and expiring on 8 September, 2004. Both Mr. Cheung Chiu Fan and Mr. Lui Chi Lung, Louis are the Independent Non-executive Directors of the Company. Both of their emoluments are HK\$50,000 per annum and are in line with the market rate.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies in force which has more than 12 months to run, or is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates has any interests in a business which competes or may compete with the business of the Group.

7. GENERAL

1. The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
2. The head office and principal place of business of the Company in Hong Kong is at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong.
3. The company secretary of the Company is Mr. Lee Che Keung. He is an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.
4. The qualified accountant of the Company is Mr. Mo Yiu Leung, Jerry who is also an Executive Director. He is an associate member of the Hong Kong Society of Accountants (as required under Rule 3.24 of the Listing Rules).
5. The branch share registrar of the Company in Hong Kong is Secretaries Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
6. The English text of this circular shall prevail over the Chinese text in the case of inconsistency.