

**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 a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred all your shares in ONFEM Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **ONFEM HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **CONNECTED TRANSACTION ACQUISITION OF EQUITY INTEREST IN A NON WHOLLY-OWNED SUBSIDIARY**

**Financial Adviser to ONFEM Holdings Limited**



**CENTURION CORPORATE FINANCE LIMITED**

**Independent Financial Adviser to the Independent Board Committee**



A letter from the Independent Board Committee (as defined in this circular) is set out on page 9 of this circular.

A letter from Access Capital Limited containing its letter of independent advice to the Independent Board Committee is set out on pages 10 to 13 of this circular.

31 January 2004

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## DEFINITIONS

*In this circular, except where the context otherwise requires, the following expressions have the following meanings:*

“Access Capital”	Access Capital Limited, a deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities as defined in the SFO, and the independent financial adviser to the Independent Board Committee in respect of the Acquisition
“Acquisition”	the acquisition of the 20% of the equity interest in ZOBHP by OCL at RMB12,859,256 (including commission payment to Chengyu of RMB612,345 but excluding taxes and other expenses) (equivalent to approximately HK\$11,894,604)
“Board”	the board of Directors (including the independent non-executive Directors)
“Centurion”	Centurion Corporate Finance Limited, a deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities as defined in the SFO, and the financial adviser to the Company in respect of the Acquisition
“Chengyu”	Zhuhai Chengyu Auction Company Limited (珠海市誠譽拍賣有限公司), an independent third party not connected with the Directors, chief executive, substantial shareholders of the Company, any of its subsidiaries or their associates (has the meaning ascribed thereto under the Listing Rules)
“Company”	ONFEM Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
“Directors”	the directors (including the independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising Mr. Selwyn Mar, Ms. Tam Wai Chu, Maria and Mr. Lam Chun, Daniel established for the purpose of advising all the Shareholders in relation to the Acquisition

## DEFINITIONS

“June Glory”	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability and currently holding approximately 53.95% of the issued share capital of the Company
“Latest Practicable Date”	28 January 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Letter of Confirmation”	the letter of confirmation on successful bid dated 8 January 2004 and entered into between Chengyu and OCL in respect of the sale and purchase of 20% equity interest in ZOBHP currently held by Shining Metals
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“OCL”	ONFEM Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company holding 80% equity interest in ZOBHP prior to the completion of the Acquisition
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shining Metals”	Zhuhai Shining Metals Group Inc. (珠海鑫光集團股份有限公司), a company incorporated in the PRC holding 20% equity interest in ZOBHP prior to the completion of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ZOBHP”	Zhuhai (Oriental) Blue Horison Properties Company Limited (珠海東方海天置業有限公司), a Sino-foreign equity joint venture established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong from time to time

## DEFINITIONS

“RMB” Renminbi, the lawful currency of the PRC from time to time

*For the purpose of this circular, translations of RMB into HK\$ or vice versa have been calculated by using an exchange rate of HK\$1.00 = RMB1.0811.*

**LETTER FROM THE BOARD**



**ONFEM HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Mr. LIN Xizhong, *Chairman*  
Mr. WANG Xingdong, *Managing Director*  
Mr. YAN Xichuan, *Deputy Managing Director*  
Mr. QIAN Wenchao  
Ms. HE Xiaoli

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Independent non-executive Directors:*

Mr. LAM Chun, Daniel  
Mr. Selwyn MAR  
Ms. TAM Wai Chu, Maria

*Principal place of business*

*in Hong Kong:*

18th Floor  
China Minmetals Tower  
79 Chatham Road South  
Tsimshatsui  
Kowloon  
Hong Kong

31 January 2004

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
ACQUISITION OF EQUITY INTEREST  
IN A NON WHOLLY-OWNED SUBSIDIARY**

**1. INTRODUCTION**

On 9 January 2004, the Company announced that OCL entered into the Letter of Confirmation with Chengyu on 8 January 2004 pursuant to which OCL agreed to acquire, subject to the terms and conditions of the Letter of Confirmation, the 20% equity interest in ZOBHP then held by Shining Metals at an aggregate consideration of RMB12,859,256 (including RMB612,345 commission payment to Chengyu but excluding taxes and other expenses) (equivalent to approximately HK\$11,894,604). As the Acquisition was not made conditional on the approval by the Shareholders at a general meeting convened to consider the Acquisition and the remaining consideration of the Acquisition was already paid in full on 14 January 2004 as contemplated, the information set out in this circular is thus for your reference only.

## LETTER FROM THE BOARD

Since Shining Metals was a substantial shareholder of ZOBHP, which was an 80% non wholly-owned subsidiary of the Company, Shining Metals was a connected person of the Company under the Listing Rules. Therefore, the Acquisition constituted a connected transaction under Rule 14.26 of the Listing Rules. Pursuant to Rule 14.26 of the Listing Rules, the Company was required to convene a general meeting to approve the Acquisition by the Shareholders and connected person(s) interested in the Acquisition (if any) should abstain from voting at the meeting.

June Glory, the 53.95% majority shareholder of the Company, which does not have any interest (whether directly or indirectly) in the Acquisition, has issued to the Company a written certificate evidencing its approval of the Acquisition. Further, as confirmed by the Company, none of the Shareholders was interested in the Acquisition and consequently, none of the Shareholders would be required to abstain from voting if a general meeting of the Company was required to be held for approving the Acquisition. Therefore, the Company has applied to the Stock Exchange for a waiver from convening a general meeting of the Company to approve the Acquisition and the Stock Exchange has granted the waiver as sought.

The Independent Board Committee has been appointed to advise the Shareholders on the Acquisition. Access Capital has been appointed as the independent financial adviser to advise the Independent Board Committee as to the terms and conditions of the Acquisition.

The purpose of this circular is to provide you with further details of the Acquisition in compliance with the requirements of Chapter 14 of the Listing Rules and to set out the letter of independent advice of Access Capital in respect of the Acquisition.

### **2. LETTER OF CONFIRMATION**

#### **Date**

8 January 2004

#### **Parties**

Vendor : Chengyu  
Purchaser: OCL

#### **Assets to be purchased**

20% of the equity interest in ZOBHP

#### **Consideration**

The aggregate consideration payable by OCL under the Letter of Confirmation is RMB12,859,256 (including RMB612,345 commission payment to Chengyu but excluding taxes and other expenses which are not ascertainable at this stage) (equivalent to approximately HK\$11,894,604) in cash and has been funded by the internal resources of the Group. The aggregate consideration is the bid price offered at a public auction held by Chengyu in the PRC on 8 January 2004 and the commission payable to Chengyu. For comparison, the Group's unaudited consolidated net tangible assets amounted to approximately HK\$470,047,000 as at 30 June 2003.

## LETTER FROM THE BOARD

Based on the audited accounts of ZOBHP, the net tangible asset value of ZOBHP as at 31 December 2002 was approximately RMB136,419,000 (equivalent to approximately HK\$126,185,000). The net loss before and after taxation for the year ended 31 December 2002 were both approximately RMB3,676,000 (equivalent to approximately HK\$3,400,000) whereas the net loss before and after taxation for the year ended 31 December 2001 were both approximately RMB4,371,000 (equivalent to approximately HK\$4,043,000). According to the latest available unaudited management accounts of ZOBHP for the eleven months ended 30 November 2003, the net loss before and after taxation for the period were both approximately RMB5,762,000 (equivalent to approximately HK\$5,330,000).

The terms of the Letter of Confirmation are on normal commercial terms and are considered by the Directors to be fair and reasonable after taking into account the substantial discount to the attributable audited net tangible asset value of ZOBHP as at 31 December 2002 as represented by the aggregate consideration of the Acquisition. The Directors have also taken into account the advice as set out in the legal opinion issued by a PRC legal adviser of the Company, in particular (i) registering the transfer of the 20% equity interest in ZOBHP acquired through Chengyu is not expected to have any impediment; and (ii) following full payment of consideration and completion of registration of such transfer, OCL is entitled to exercise its rights as a shareholder of, and have title to the 20% equity interest in, ZOBHP. Shareholders should also note that the Acquisition was the result of a public auction undertaken by Chengyu and participated by OCL. Details of the auction were set out in a public announcement dated 26 December 2003 and published in a newspaper circulated in the PRC.

### **Payment terms**

The aggregate consideration of the Acquisition was paid in full as follows:

1. RMB1,000,000 (equivalent to approximately HK\$924,984) was paid upon signing of the Letter of Confirmation; and
2. the remaining balance of RMB11,859,256 (equivalent to approximately HK\$10,969,620) was paid on 14 January 2004.

### **Completion**

Following the full payment of the aggregate consideration and in accordance with the documents prescribed by the court in the PRC, Chengyu will assist OCL in registering the transfer of the 20% equity interest in ZOBHP.

Completion of the Acquisition is subject to all necessary approvals and consents in connection with the Acquisition from the relevant PRC authorities and the conversion of ZOBHP from a Sino-foreign equity joint venture (中外合資企業) to a wholly foreign-owned enterprise (外商獨資企業) under the PRC laws.



## **LETTER FROM THE BOARD**

### **3. INFORMATION ON ZOBHP**

ZOBHP was a Sino-foreign equity joint venture incorporated under the laws of the PRC with limited liability. ZOBHP was established in 1999 and is engaged in a commercial and residential property development project, namely the “Haitian Garden” in Zhuhai, the PRC. The “Haitian Garden” has a site area of approximately 177,000 square feet, is situated at the junction of Haijing Road and Haizhou Road, Jida, Xiangzhou District, Zhuhai and is scheduled to be developed into a composite commercial and residential development which will be completed in two phases. The “Haitian Garden” project is currently estimated to be completed by the end of 2005.

Prior to the Acquisition, OCL held an 80% equity interest in ZOBHP. Following the completion of the Acquisition as set out above, ZOBHP will become a wholly-owned subsidiary of OCL.

It has been agreed that following completion of the Acquisition, the directors of ZOBHP nominated by Shining Metals will resign and OCL will change the composition of the board of ZOBHP in accordance with the PRC laws.

### **4. REASONS FOR THE ACQUISITION**

As stated in the 2002 annual report of the Company, the Company aims at improving operational efficiency of the Group as a whole. The Board is of the view that the Acquisition will facilitate OCL in implementing its decision on the development of “Haitian Garden” project and in turn, improve the efficiency of the operations of ZOBHP.

Shareholders should note that the Acquisition was driven by the public auction of the 20% equity interest in ZOBHP, a company in which the remaining 80% equity interest was already held by OCL. Under the circumstance, it is understandable for the Company to consolidate its interest in ZOBHP and to avoid the uncertainties arising from co-investing with an incoming 20% minority shareholder whose background and financial strength are not known and whose interests might not be in alignment with that of the Group. Furthermore, funding or bank financing a wholly-owned subsidiary will be less complicated given the non application of the financial assistance provisions set out in the Listing Rules. This is of particular importance as the underlying project of ZOBHP is a commercial and residential development in Zhuhai which is still under construction (with site formation, foundation and basement works completed).

Therefore, the entering into of the Letter of Confirmation is in line with the strategy of the Company and is in the interest of the Company and its Shareholders.

### **5. OPINION**

The Acquisition does not currently expect to have any material impact on the Group. Access Capital, which has been appointed as the independent financial adviser to the Independent Board Committee, considers that the terms and conditions of the Acquisition are fair and reasonable so far as the Shareholders are concerned. A copy of the letter of independent advice dated 31 January 2004 from Access Capital to the Independent Board Committee is set out on pages 10 to 13 of this circular.

## LETTER FROM THE BOARD

Having taken into account the advice of Access Capital, the Independent Board Committee considers the terms and conditions of the Acquisition are fair and reasonable and are in the best interest of the Company and the Shareholders as a whole. A copy of the letter of opinion dated 31 January 2004 from the Independent Board Committee is set out on page 9 of this circular.

### 6. GENERAL

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
On behalf of the Board of  
**ONFEM Holdings Limited**  
**Wang Xingdong**  
*Managing Director*

# LETTER FROM THE INDEPENDENT BOARD COMMITTEE



## ONFEM HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

31 January 2004

*To the Shareholders*

Dear Sir or Madam,

### **CONNECTED TRANSACTION ACQUISITION OF EQUITY INTEREST IN A NON WHOLLY-OWNED SUBSIDIARY**

We refer to the circular dated 31 January 2004 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of the Acquisition, details of which are set out in the “Letter From The Board” set out on pages 4 to 8 of the Circular. Access Capital has been appointed to advise the Independent Board Committee on the fairness and the reasonableness of the terms and conditions of the Acquisition. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 10 to 13 of the Circular.

Having taken into account the advice of Access Capital, we consider that the terms and conditions of the Acquisition are fair and reasonable so far as the Shareholders are concerned and that the Acquisition is in the best interest of the Company and the Shareholders as a whole.

Yours faithfully,  
Independent Board Committee

**Selwyn Mar**  
*Independent non-executive  
Director*

**Tam Wai Chu, Maria**  
*Independent non-executive  
Director*

**Lam Chun, Daniel**  
*Independent non-executive  
Director*

# LETTER FROM ACCESS CAPITAL

*The following is the full text of the letter from Access Capital setting out its advice to the Independent Board Committee in relation to the Acquisition.*



3rd Floor  
No. 8 Queen's Road Central  
Hong Kong

31 January 2004

*To the Independent Board Committee of  
ONFEM Holdings Limited*

Dear Sirs,

## **CONNECTED TRANSACTION ACQUISITION OF EQUITY INTEREST IN A NON WHOLLY-OWNED SUBSIDIARY**

### **1. INTRODUCTION**

We refer to our appointment to advise the independent board committee of the Company (the "Independent Board Committee") with regard to a connected transaction relating to the acquisition of a 20% equity interest in Zhuhai (Oriental) Blue Horison Properties Company Limited ("ZOBHP"), a non wholly-owned subsidiary of the Company currently held as to 80% by the Company (the "Acquisition"). Details of the Acquisition are contained in the "Letter from the Board" of the circular to the Shareholders dated 31 January 2004 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise specifies.

As Shining Metals was a connected person of the Company under the Listing Rules, the Acquisition constitutes a connected transaction under the Listing Rules and the Company was required to convene a general meeting to approve the Acquisition by the Shareholders. June Glory, a majority shareholder of the Company (as at the Latest Practicable Date owned approximately 53.95% of the issued share capital of the Company), which does not have any interest (whether directly or indirectly) in the Acquisition, has issued a written certificate evidencing its approval of the Acquisition; and as confirmed by the Company, no Shareholder was interested in the Acquisition nor was required to abstain from voting if a general meeting of the Company had been required to be held for approving the Acquisition. Therefore, the Company has applied to the Stock Exchange for a waiver from convening a general meeting of the Company to approve the Acquisition and the Stock Exchange has agreed to grant such waiver to the Company. However, the Company is still required to publish a circular to the Shareholders, setting out therein details of the Acquisition in compliance with the requirements prescribed under Chapter 14 of the Listing Rules and the letter of advice of an independent financial adviser as to whether the terms and conditions of the Acquisition are fair and reasonable so far as the Shareholders are concerned.

## LETTER FROM ACCESS CAPITAL

The Independent Board Committee, comprising Messrs. Selwyn Mar and Lam Chun, Daniel, and Ms. Tam Wai Chu, Maria (all of whom are independent non-executive Directors), has been established to consider the Acquisition and to advise the Shareholders. We have been appointed by the Independent Board Committee to advise it as to whether the terms and conditions of the Acquisition are fair and reasonable so far as the Shareholders are concerned and to give our opinion in relation to the Acquisition for its consideration in issuing their opinion to the Shareholders.

### **2. BASIS OF THE OPINION**

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided and/or made to us by the Company and the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and the Directors and for which it is/they are solely responsible were true, accurate and valid at the time they were made and given and continue to be true, accurate and valid as at the date of the Circular. We have assumed that all the statements, opinions and representations made or provided by the Company and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

### **3. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In forming our opinion, we have taken into consideration the following principal factors and reasons:

#### **a. Background to and reasons for the Acquisition**

ZOBHP is a Sino-foreign equity joint venture incorporated under the laws of the PRC with limited liability. ZOBHP was established in 1999 and is principally engaged in a property development project in Zhuhai, the PRC (the "Project"). As at the Latest Practicable Date, OCL, a wholly-owned subsidiary of the Company, held an 80% equity interest in ZOBHP (without taking into account the Acquisition).

## LETTER FROM ACCESS CAPITAL

It was brought to the attention of the Company that on 26 December 2003, Chengyu (an independent PRC auctioneer) published a press notice in the PRC that the 20% equity interest in ZOBHP held by Shining Metals would be tendered for sale at a public auction scheduled to take place on 8 January 2004 in Zhuhai, the PRC. In order to avoid the uncertainties associating with co-investing with a possibly unknown 20% minority shareholder of ZOBHP whose interests in the Project might not necessarily be in alignment with that of the Group, the Company decided to participate in the said public auction.

Furthermore, if ZOBHP was to become a wholly-owned subsidiary of the Company, the Company would no longer have to be bound by the relevant PRC regulatory issues and requirements applicable to Sino-foreign equity joint ventures and the financial assistance provisions of the Listing Rules to non wholly-owned subsidiaries and the Directors believe that this would in turn result in a more effective management of the Project which is still under construction.

The Directors also believe that the entering into of the Letter of Confirmation is in line with the strategy of the Company and is in the interest of the Company and its Shareholders as a whole.

Taking into account the aforesaid reasons, we concur with the views of the Directors that the Acquisition is in the interest of the Company and the Shareholders as a whole.

### **b. Terms and conditions of the Acquisition**

The aggregate consideration paid by OCL with respect to the Acquisition under the Letter of Confirmation is RMB12,859,256 (including commission payment to Chengyu of RMB612,345 but excluding taxes and other expenses) (equivalent to approximately HK\$11,894,604) in cash and is intended to be funded by the internal resources of the Group. The aggregate consideration is the final bid price offered at the public auction held by Chengyu in the PRC on 8 January 2004 and the commission payable to Chengyu. According to the Company, the price paid by OCL under the Letter of Confirmation equals to the initial bid price set by Chengyu.

According to the latest available audited accounts of ZOBHP, the net tangible asset value of ZOBHP as at 31 December 2002 was approximately RMB136,419,000 (equivalent to approximately HK\$126,185,000). According to the latest available unaudited management accounts of ZOBHP for the eleven months ended 30 November 2003, the net tangible asset value of ZOBHP as at 30 November 2003 was approximately RMB130,657,000 (equivalent to approximately HK\$120,856,000). Hence, the aggregate consideration paid by OCL under the Acquisition represents a discount of approximately 52.9% and 50.8% to the attributable audited net tangible asset value of ZOBHP as at 31 December 2002 and the attributable unaudited net tangible asset value of ZOBHP as at 30 November 2003 respectively.

According to the audited accounts of ZOBHP, the net loss before and after taxation for the year ended 31 December 2002 were both approximately RMB3,676,000 (equivalent to approximately HK\$3,400,000) whereas the net loss before and after taxation for the year ended 31 December 2001 were both approximately RMB4,371,000 (equivalent to

## LETTER FROM ACCESS CAPITAL

approximately HK\$4,043,000). According to the latest available unaudited management accounts of ZOBHP for the eleven months ended 30 November 2003, the net loss before and after taxation for the period were both approximately RMB5,762,000 (equivalent to approximately HK\$5,330,000). The Directors confirmed that the net losses incurred by ZOBHP for the eleven months ended 30 November 2003 were related to its normal operating expenses and they are not aware of any peculiar reasons for such increase as compared to the net loss incurred for the year ended 31 December 2002.

Taking into account (i) the aggregate consideration paid by OCL in respect of the Acquisition was the outcome of a public bidding process in a public auction, (ii) ZOBHP incurred consecutive losses for the two years ended 31 December 2002 and for the eleven months ended 30 November 2003, and (iii) the aggregate consideration paid for the 20% equity interest in ZOBHP represented a substantial discount to the underlying audited net tangible asset value of ZOBHP, we are of the view that the aggregate consideration paid for the 20% equity interest in ZOBHP is fair and reasonable so far as the Shareholders are concerned.

### **c. Other matter to consider**

According to the Letter of Confirmation, the aggregate consideration for the Acquisition was paid by the Group in cash. As stated in the "Letter from the Board", the aggregate consideration was funded from internal resources of the Group. Based on the latest published unaudited interim report of the Group for the six months period ended 30 June 2003, the Group has approximately HK\$216,157,000 in cash and bank deposits (free from any encumbrances) as at 30 June 2003. Hence, the Company has sufficient internal resources to finance the Acquisition.

## **4. OPINION**

Having considered the above factors, in particular, taking into account (i) the reasons for the Acquisition; (ii) the terms and conditions of the Acquisition and the fact that it was conducted through a public auction; and (iii) the matter described under paragraph 3(c) above, we are of the view that the terms and conditions of the Acquisition are fair and reasonable so far as the Shareholders are concerned and are in the best interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to give the same opinion to the Shareholders.

Yours faithfully,  
For and on behalf of  
**Access Capital Limited**  
**Jeanny Leung**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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. EXPERT

The followings are the qualifications of the expert who has given opinion or advice contained in this circular:

Name	Qualifications
Access Capital	A deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities as defined in the SFO

Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the texts of its letter and references to its name, in the form and context in which it respectively appears.

## 3. DISCLOSURE OF INTERESTS

### (a) Interests in the Company

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, as recorded in the register kept by the Company pursuant to section 352 of the SFO, were as follows:

#### *Interests in Shares*

Name of Director	Nature of interest	Number of Shares held
He Xiaoli	Personal	20,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company or any of their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO).



- (b) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which is significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.
- (d) As at the Latest Practicable Date, none of Centurion or Access Capital had any shareholding in any member of the Group and neither of them had any right or option to subscribe for or nominate persons to subscribe for shares in any member of the Group.
- (e) As at the Latest Practicable Date, none of the Directors, Centurion or Access Capital had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company, or was proposed to be acquired, or disposed of by, or leased to the Company, since 31 December 2002, the date to which the latest published audited consolidated accounts of the Group were made up.

#### 4. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO, the following entities have interests in the Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares held	Percentage of total issued Shares
China National Metals and Minerals Import and Export Corporation ( <i>Note</i> )	416,585,852	53.95%
China Minmetals H.K. (Holdings) Limited ("Minmetals HK") ( <i>Note</i> )	416,585,852	53.95%
June Glory	416,585,852	53.95%

*Note:*

By virtue of the SFO, these companies are deemed to be interested in the 416,585,852 Shares held by June Glory.

Save as disclosed above, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the chief executive of the Company, who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

- (b) As at the Latest Practicable Date, so far was known to the Directors and the chief executive of the Company, the persons, other than a Director or chief executive of the Company, who were, 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 (other than the Company) and the amount of such persons' interests in such securities were as follows:

<b>Name of subsidiary of the Company</b>	<b>Name of substantial shareholder</b>	<b>Interest in the share capital/ equity interest</b>	<b>Percentage</b>
Apex Dragon Consultants Limited*	Wong Sik Woon	333 shares	33.30%
Apex Dragon Consultants Limited*	Cordia Asia Limited	100 shares	10.00%
Apex Dragon E & M Engineering Co., Limited	Wong Sik Woon	333 shares	33.30%
Apex Dragon E & M Engineering Co., Limited	Cordia Asia Limited	100 shares	10.00%
Best High Development Limited	Fair King Investment Limited	20 shares	20.00%
Brittaland Investments Limited	Fair King Investment Limited	10 shares	10.00%
Brittaland Investments Limited	Chan Kwok Hing	29 shares	29.00%
Condo Curtain Wall Company Limited ("CCW")*	Yu Lap On, Stephen ("Mr. Yu")	120,000 shares	16.00%
CCW*	Cheung Sui Keung ("Mr. Cheung")	120,000 shares	16.00%
CCW*	Ng Tze Kwan ("Mr. Ng")	120,000 shares	16.00%
Charm Ace Investment Limited	Lok Mei Yee	30 shares	30.00%
Charm Ace Investment Limited	Honour King Limited	19 shares	19.00%
Enful Holdings Limited#	Sinowise Development Limited	4,800 shares	48.00%

Name of subsidiary of the Company	Name of substantial shareholder	Interest in the share capital/ equity interest	Percentage
Jaeson Aerosol Company Limited#	Chan Wang Kay	20 shares	20.00%
Polycrown Engineering (Holdings) Limited	Polyrich Profits Limited	49 shares	49.00%
Wellstep Management Limited (“Wellstep”)	Turner Overseas Limited	4,800 shares	16.00%
Wellstep	Silver Lake Asia Corporation	4,800 shares	16.00%
Wellstep	Spirit Sunshine Inc.	4,800 shares	16.00%
ZOBHP	Shining Metals	RMB8,800,000	20.00%

\* *In liquidation*

# *Holders of non-voting deferred shares are ignored*

Save as disclosed above, there was no person known to the Directors or the chief executive of the Company, who, as at the Latest Practicable Date, was directly or indirectly interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

## 5. MATERIAL ADVERSE CHANGE

Save as disclosed in the “Letter from the Board” in the circular of the Company dated 10 November 2003 and in the composite offer document jointly issued by the Company, June Glory and Minmetals HK dated 5 November 2003, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2002, the date to which the latest published audited consolidated accounts of the Group were made up.

## 6. LITIGATION

- (a) On 13 March 2003, the Company commenced legal proceedings in Hong Kong (the “Action”) against Mr. Yu, Mr. Ng and Mr. Cheung, as well as companies controlled by them (namely Turner Overseas Limited, Spirit Sunshine Inc. and Silver Lake Asia Corporation respectively) (collectively, the “Defendants”). The claims are based on the counter-indemnities executed on 23 March 1998, 5, 6 and 11 January 1999 by the Defendants in favour of the Company as referred to in items 1, 2, 3, 4 and 5 under the section headed “Counter-Indemnities” for CCW, Wellstep and their respective subsidiaries in the “Letter from the Board” in the circular of the Company dated 10 November 2003 in respect of the liabilities and obligations covered by those counter-

indemnities as more particularly described in that section of the aforesaid circular. The principal amount claimed in the Action is about HK\$16,400,000 together with accrued interest and costs against each of the Defendants.

On 8 April 2003 and 16 June 2003, the Company obtained judgment(s) against Mr. Ng and Spirit Sunshine Inc. respectively. The Company also obtained amended judgment dated 31 December 2003 against Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation pursuant to the Company's application for summary judgment. Pursuant to the said judgments (i) each of Mr. Ng and Spirit Sunshine Inc. is required to pay the Company, and the Company demanded payment of the sums of HK\$16,418,527.51 and US\$123,055.87 together with accrued interests and costs; and (ii) each of Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation is required to pay the Company a sum of HK\$16,418,527.51 together with accrued interests and costs. Mr. Ng was made bankrupt by the High Court of Hong Kong (the "Court") on 20 November 2003. The Company has demanded Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation to make full payment of the judgment debts. As at the Latest Practicable Date, no payment has been made by any of the Defendants, notwithstanding that such payment is now overdue.

- (b) On 12 March 2003, the Company commenced legal proceedings in Hong Kong against (i) its former Director, Mr. Cui Guisheng; (ii) its former financial controller, Mr. Ip Shu Wah Reginald; (iii) Jointstock Investments Limited; (iv) ICEA Financial Services Limited; and (v) Gold Light Development Limited. The Company's claims are for the sum of approximately HK\$20,000,000 in connection with or arising out of the Company's purported participation in a purported HK\$20,000,000 loan from Jointstock Investments Limited to ICEA Financial Services Limited.

The defendants (except Gold Light Development Limited) have instructed legal advisers to defend the claims. An order has been made by the Court to stay the legal action against Mr. Cui Guisheng, pending the determination of criminal proceedings against him in relation to certain transactions involved in the action. On 19 November 2003, the Court made a winding up order against Gold Light Development Limited. By reason of the winding up order and operation of law, the legal proceedings brought by the Company against Gold Light Development Limited has been stayed except by leave of the Court. The proceedings of the Company against the other defendants (namely, Mr. Ip Shu Wah Reginald, Jointstock Investments Limited and ICEA Financial Services Limited) are ongoing but no date has been fixed yet for the trial.

Details of the transactions have been announced by the Company in its announcements dated 1 February 2002, 4 February 2002 and 8 July 2002 respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or arbitration or claim of material importance is known to the Directors to be pending or threatened against either the Company or any of its subsidiaries.

**7. GENERAL**

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (b) The principal registrar of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (c) The Hong Kong branch registrar of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The secretary of the Company is Ms. Siu Tin Ho, an associate member of The Hong Kong Institute of Company Secretaries.
- (e) The English text of this circular shall prevail over the Chinese text.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, except public holidays, up to and including 23 February 2004:–

- (a) the Letter of Confirmation;
- (b) the letter of independent advice from Access Capital to the Independent Board Committee, the text of which is set out on pages 10 to 13 in this circular;
- (c) the letter of opinion from the Independent Board Committee to the Shareholders, the text of which is set out on page 9 in this circular; and
- (d) the written consent from Access Capital as referred to in the paragraph headed "Expert" above.