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If you are in any doubt about this circular or as to the action to be taken, you should consult your 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 to the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 230)

MAJOR TRANSACTION DISPOSAL OF INVESTMENT

**Financial adviser to ONFEM Holdings Limited
MANAGEMENT CAPITAL LIMITED**

A letter from the Board of ONFEM Holdings Limited is set out on pages 3 to 7 of this circular.

21 February 2007

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Announcement”	the announcement dated 9 January 2007 issued by the Company in relation to the Disposal
“associate”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“chief executive”	has the same meaning as ascribed to it under the Listing Rules
“CMCDIL”	China Merchants China Direct Investments Limited (stock code: 133), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Company”	ONFEM Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares are listed on the main board of the Stock Exchange
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors (including independent non-executive directors) of the Company
“Disposal”	the disposal of the Sale Shares on 4 January 2007 on the Stock Exchange through a securities brokerage firm at HK\$22.0 per share for a total cash consideration of HK\$158.4 million
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“June Glory”	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of China Minmetals H.K. (Holdings) Limited
“Latest Practicable Date”	14 February 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“OIL”	ONFEM Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	the 7,200,000 ordinary shares in CMCDIL of US\$0.1 each held by OIL, representing approximately 5.25% of the entire issued share capital of CMCDIL as at 30 June 2006
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of par value of HK\$0.1 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	US dollars, the lawful currency of the United States of America
“%”	percentage

For the purpose of illustration only and unless otherwise stated, conversion of US\$ into HK\$ in this circular is based on the exchange rate of US\$1.0 to HK\$7.8. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other particular rate.

LETTER FROM THE BOARD



ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 230)

Non-executive Director:

Mr. ZHOU Zhongshu, *Chairman*

Executive Directors:

Mr. QIAN Wenchao, *Deputy Chairman*

Mr. WANG Xingdong, *Managing Director*

Mr. YAN Xichuan, *Deputy Managing Director*

Mr. YIN Liang, *Deputy Managing Director*

Ms. HE Xiaoli

Independent Non-executive Directors:

Ms. TAM Wai Chu, *Maria*

Mr. LAM Chun, *Daniel*

Mr. Selwyn MAR

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Principal place of business
in Hong Kong:*

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

21 February 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION DISPOSAL OF INVESTMENT

1. INTRODUCTION

Reference is made to the Announcement dated 9 January 2007 that OIL disposed of the Sale Shares on the Stock Exchange through a securities brokerage firm at HK\$22.0 per share for a total cash consideration of HK\$158.4 million. The Disposal was completed as the Group received the net proceeds of HK\$157.8 million on 8 January 2007.

There were 10 buyers of the Sale Shares and they are professional corporate investors and investment funds. The Directors, to the best of their knowledge, information and belief and having made all reasonable enquiries, confirm that the above-mentioned securities brokerage firm, the buyers of the Sale Shares and their ultimate beneficial owners are independent third parties not connected with the Directors, chief executive and substantial shareholders of the Company, its subsidiaries and their respective associates.

LETTER FROM THE BOARD

The Group had not entered into any written agreement with the above-mentioned securities brokerage firm or the buyers of the Sale Shares in relation to the Disposal except for normal documentations relating to dealing of shares on the Stock Exchange.

Following the Disposal and as at the Latest Practicable Date, the Group does not hold any shares in CMCDIL.

As the consideration ratio under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but is below 75%, the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. This circular aims at providing further information in relation to the Disposal to the Shareholders.

2. THE DISPOSAL

Date

4 January 2007

Investment Realised

The Sale Shares comprise 7,200,000 shares of US\$0.1 each in CMCDIL of which 5,000,000 shares were acquired by OIL in April 1994 at a total cost of HK\$37.8 million, and 2,200,000 bonus shares that were issued by CMCDIL in 1998 and 1999 for nil consideration. Audited carrying value of the Sales Shares as at 31 December 2005 amounted to HK\$29.3 million.

CMCDIL, a closed-ended investment fund traded on the Stock Exchange, is principally engaged in investing in unlisted companies with significant business involvement in the PRC.

Based on the closing price of CMCDIL shares quoted on the Stock Exchange on 3 January 2007 (being the day preceding the date of the Disposal) of HK\$24.2 per share, the market value of the Sale Shares was HK\$174.2 million. The net asset value attributable to the Sale Shares was US\$7.7 million (approximately HK\$60.1 million) based on the audited net asset value of CMCDIL as at 31 December 2005 according to its annual report for the year ended 31 December 2005, and US\$11.3 million (approximately HK\$88.1 million) as at 30 November 2006 based on its unaudited net asset value published on 15 December 2006. The audited consolidated net profit

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before and after taxation and extraordinary items of CMCDIL for each of the financial years ended 31 December 2004 and 2005 are set out as follows:

	For the year ended 31 December			
	2005		2004	
	<i>US\$ million</i>	<i>HK\$ million equivalent</i>	<i>US\$ million</i>	<i>HK\$ million equivalent</i>
Profit before taxation and extraordinary items	9.9	77.2	1.2	9.4
Profit after taxation and extraordinary items	7.8	60.8	1.1	8.6

Consideration

The consideration for the Disposal of HK\$22.0 per Sale Share or HK\$158.4 million in cash in total was arrived at on a willing buyer, willing seller basis. The total consideration represents a premium of HK\$129.1 million over the audited carrying value of the Sales Shares of HK\$29.3 million as at 31 December 2005 and a premium of approximately 19.6% on the average closing price of CMCDIL of HK\$18.4 per share quoted on the Stock Exchange for a period of 10 trading days ended on 3 January 2007, being the day preceding the date of the Disposal. In determining the consideration price, the Company took reference from CMCDIL's price movement during 2006 from around HK\$4.0 per share at the beginning of 2006 to around HK\$19.0 per share at the end of that year.

On 8 January 2007, the Company received the net proceeds of HK\$157.8 million in cash and the Disposal was completed.

3. FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, a gain of HK\$140.9 million (before taxation and subject to audit) is expected to be realised by the Group for the year ending 31 December 2007. The gain is arrived at based on the difference between the net proceeds of HK\$157.8 million and the unaudited cost (after provision for impairment in value throughout the holding period of the investment) of the Sale Shares of HK\$16.9 million as at 3 January 2007.

The Group has recognised dividend income totalling HK\$13.0 million distributed by CMCDIL during the holding period of the Sale Shares. Dividend income of HK\$449,000.0 was recognised by the Group from the Sale Shares in respect of the financial year of CMCDIL ended 31 December 2004. CMCDIL had not distributed any dividend since then and up to the date of the Disposal. The Directors consider that the Disposal will not have material adverse effect on the earnings of the Group given the per annum dividend income, if any, generated from the Sale Shares was not significant.

Immediately following the completion of the Disposal, the available-for-sale financial assets of the Group were decreased by an amount equivalent to the carrying value of the Sale Shares and the cash and bank balances of the Group were increased by an amount equivalent to the net proceeds of the Disposal. The Disposal had no impact on the liabilities of the Group.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in real estate development and project management, specialised construction, property leasing, manufacturing and trading and securities investment and trading businesses.

The Sale Shares had been held by the Group as a long-term investment. As at 31 December 2005, the investment in the Sale Shares was classified as a non-current asset of the Group in its financial statements with an audited carrying value of HK\$29.3 million.

In 2006, the share price of CMCDIL has risen more than four-fold. The Directors consider that the investment in the Sale Shares has increased in value significantly and the Disposal is a good opportunity for the Group to realise a satisfactory return on the initial investment. In addition to capital appreciation and bonus shares issued by CMCDIL, OIL had received dividends during the holding period of the Sale Shares (please refer to paragraph entitled "Financial effect of the Disposal" above).

The proceeds from the Disposal will improve the financial position and the working capital condition of the Group.

The Directors are of the view that the terms of the Disposal are fair and reasonable and in the interests of the Company and Shareholders as a whole and are on normal commercial terms.

5. INTENDED USE OF PROCEEDS

After deducting directly related expenses of HK\$0.6 million from the consideration of the Disposal, the net proceeds from the Disposal were HK\$157.8 million. The Company has no specific plans presently for use of such funds and intends to apply the funds to meet the general working capital requirements of the Group.

6. LISTING RULES IMPLICATIONS

Based on the applicable size tests performed regarding the Disposal, the consideration ratio under Rule 14.07 of the Listing Rules exceeds 25% but is below 75%. Accordingly, the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules.

The Directors, to the best of their knowledge, information and belief and having made all reasonable enquiries, confirm that none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. June Glory is the controlling shareholder of the Company holding 416,585,852 Shares as at the Latest Practicable Date, representing approximately 53.95% of the issued share capital of the Company. On 4 January 2007, June Glory issued a written approval approving the Disposal. As such, all conditions under Rule 14.44 of the Listing Rules have been met and the Company is not required to convene a general meeting for the purpose of approving the Disposal.

LETTER FROM THE BOARD

7. FURTHER INFORMATION

Your attention is drawn to the financial information and general information of the Group as set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
ONFEM Holdings Limited
Wang Xingdong
Managing Director

1. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 31 December 2006, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK\$270,895,000, comprising secured bank overdrafts of approximately HK\$3,516,000, secured trust receipt bank loans of approximately HK\$590,000, secured short-term bank loans of approximately HK\$85,444,000, secured long-term bank loan of approximately HK\$99,640,000 and short-term loans from a fellow subsidiary of approximately HK\$81,705,000 guaranteed by China Minmetals H.K. (Holdings) Limited, the intermediate holding company of the Company.

Saved as aforesaid and apart from intra-group liabilities, the Group did not, at the close of business on 31 December 2006, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees.

Contingent liabilities

As at the close of business on 31 December 2006, the Group did not have any material contingent liabilities.

Securities and charges

As at the close of business on 31 December 2006, the Group's aggregate banking facilities in respect of the bank borrowings were approximately HK\$273,568,000, which were secured by pledged deposits of the Group of approximately HK\$24,928,000; investment properties, leasehold land and buildings and property under development of the Group with carrying amounts of approximately HK\$290,770,000, HK\$6,737,000 and HK\$272,560,000 respectively; and corporate guarantees provided by the Company.

The Group has pledged a fixed deposit of approximately HK\$12,066,000 to a bank for the issue of a surety bond for payment of construction work to a main contractor of a property development of the Group.

Save as disclosed above, the Group did not have any mortgages or charges at the close of business on 31 December 2006.

2. WORKING CAPITAL

As at the Latest Practicable Date, after taking into account of the available banking facilities, the internal resources of the Group and the net proceeds from the Disposal, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements, i.e., for the next 12 months from the date of this circular.

3. TRADING AND FINANCIAL PROSPECT OF THE GROUP

During the six months ended 30 June 2006, the Group has made important progress in its real estate development and project management business. The Group's wholly-owned The Grand Panorama residential development project in Zhuhai, the PRC ("The Grand Panorama Project", formerly known as the Haitian Garden Project) obtained planning permit and construction permit for the superstructure and presale has been launched at the beginning of 2007. In addition, the Group has secured a new residential development project in Nanjing, the PRC that enlarges the portfolio of the Group's real estate development projects.

Other business segments of the Group, namely specialised construction, property leasing, manufacturing and trading and securities investment and trading, returned improved performance as a whole in the first half of 2006.

The Company is generally pleased with the success of the strategy of consolidating our non-real estate development and related business, which helps stabilise the financial performance of the Group before our real estate development project portfolio begins to contribute to turnover and cash flow and expects these business activities continue to show improvement as a whole for the full year of 2006 on a year-on-year basis.

Looking forward, in view of the regulatory measures on the property market recently imposed by the Chinese central government, it is anticipated that there would be a reduction in the supply of large size residential units in the PRC over the next few years. Nevertheless, the development plan of The Grand Panorama Project, which offers large size residential units of over 90 square metres, is not subject to such measures as it was approved prior to the imposition of the relevant regulations. Accordingly, the expected decrease in supply of large size residential units in the Zhuhai area should have a positive impact on the marketing activities of The Grand Panorama Project. In this connection, and in spite of the possibility that the State Council may impose further macro-economic austerity measures as expected by many economic commentators to further cool down the property market, the Group remains cautiously optimistic on the prospect of The Grand Panorama Project to generating relatively sizeable turnover and cash flow for the Group in the near term.

The PRC's National 11th Five Year Plan, which was adopted in 2006, aims at maintaining high GDP growth of around 7.5% per year and the doubling of 2000 nominal per capita GDP by the year 2010. Given the continuing strength of the economy and property market in the PRC, the Company considers that the possible further appreciation of the Renminbi and the imposition of macro-economic cooling measures would help bring opportunities for the Group to secure attractive real estate development projects in the PRC with long term prospects. Against this backdrop, the Company remains confident of the Group's future as a real estate developer focused on the PRC market. Moving ahead, the Group will continue to expand its portfolio of real estate development projects in a prudent and selective manner in an effort to achieve steady improvement in the future performance of this core business of the Group.

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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the Shares and underlying Shares or in the shares or underlying shares of 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 Issuers, as recorded in the register kept by the Company pursuant to section 352 of the SFO, were as follows:

Long Position in Shares

(a) Shares

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

(b) Share options

Name of Director	Date of grant of share options	Date of acceptance of share options	Exercise period of share options	Exercise price of share options HK\$	Number of share options outstanding as at the Latest Practicable Date	Approximate % share-holding
Qian Wenchao	15 March 2004	16 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000	0.19
Wang Xingdong	15 March 2004	16 March 2004	16 March 2004 to 15 March 2007	0.83	3,000,000	0.39

(b) *Share options (Cont'd)*

Name of Director	Date of grant of share options	Date of acceptance of share options	Exercise period of share options	Exercise price of share options HK\$	Number of share options outstanding as at the Latest Practicable Date	Approximate % share-holding %
Yan Xichuan	15 March 2004	16 March 2004	16 March 2004 to 15 March 2007	0.83	2,000,000	0.26
He Xiaoli	15 March 2004	16 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000	0.19

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).

3. SERVICE CONTRACTS

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 terminable by the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESS

As at the Latest Practicable Date, (i) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which is significant in relation to the business of the Group; (ii) none of the Directors of the Company and his/her respective associates has any competing interests (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder); and (iii) none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. SUBSTANTIAL SHAREHOLDERS

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 of Shareholder	Number of Shares held	Percentage of total issued Shares
China Minmetals Corporation <i>(Note)</i>	416,585,852	53.95%
China Minmetals H.K. (Holdings) Limited <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.

6. MATERIAL CONTRACTS

The following contract, not being contract entered into in the ordinary course of business, has been entered into by members of the Group within the two years preceding the date of this circular and is material:

- the shareholders' agreement in respect of Oriental Dragon Construction Limited ("ODCL"), an indirect wholly-owned subsidiary of the Company, dated 11 April 2006 entered into amongst Karman Industries Limited ("KIL") and Stillpower Limited (both are indirect wholly-owned subsidiaries of the Company), World Ocean Development Limited ("WODL") and ODCL that the shareholders' agreement sets out, among other things, the transfer of a 29% equity interest in ODCL from KIL to WODL at a total consideration of HK\$2,900 and how the joint venture company for the property development project of the Group in Nanjing, the PRC, shall be managed and operated.

7. LITIGATION

- (a) On 13 March 2003, the Company commenced legal proceedings in Hong Kong (the "Action") against Mr. Yu Lap On Stephen ("Mr. Yu"), Mr. Ng Tze Kwan ("Mr. Ng") and Mr. Cheung Sui Keung ("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"). Mr. Yu, Mr. Ng and Mr. Cheung are directors of Condo Engineering (China)

Limited (“CEC”) and Condo Curtain Wall Company Limited (“CCW”), both of which are in liquidation. The claims are based on 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 in the section headed “Counter-Indemnities” for CCW, Wellstep Management Limited 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. As at 15 January 2004, the principal amount claimed against each of the Defendants in the Action was approximately HK\$16,400,000.

On 8 April 2003 and 16 June 2003, the Company obtained judgments against Mr. Ng and Spirit Sunshine Inc. respectively. The Company also obtained judgment dated 14 January 2004 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, each of the Defendants was required to pay the Company a sum of HK\$16,418,527.51 together with accrued interests and costs. The said judgments took effect immediately from their respective dates, and are enforceable by the Company. Mr. Ng was made bankrupt by the High Court of Hong Kong (the “Court”) on 20 November 2003. The Company demanded Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation to make full payment of the judgment debt on 15 January 2004. Since no payment has been made by them, the Company filed a petition for a bankruptcy order against Mr. Yu on 15 April 2004, which petition was heard by the Court on 9 June 2004. A bankruptcy order was made against Mr. Yu by the Court on 9 June 2004. The Company filed a proof of debt on 12 July 2004 in the bankruptcy of Mr. Yu. The Company also applied for the examination of Mr. Cheung as to his assets, means and liabilities, and an order for examination was made by the Court on 5 May 2004. Meanwhile, Mr. Cheung filed a petition for a bankruptcy order against himself on 30 October 2004 and a bankruptcy order was made against Mr. Cheung by the Court on 30 November 2004. On 7 April 2005, a proof of debt was filed by the Company in the bankruptcy of Mr. Cheung. As of the Latest Practicable Date, no payment has been received from any of the Defendants.

- (b) Zhuhai (Oriental) Blue Horison Properties Company Limited (珠海東方海天置業有限公司) (“ZOBHP”), a wholly-owned subsidiary of the Company, has received a writ of summons dated 4 February 2004 (the “Summons”) issued by the Intermediate People’s Court of the PRC in Zhuhai, Guangdong Province (“the PRC Court”). According to the Summons, China Railway Nineteenth Bureau Group Corporation (中鐵十九局集團有限公司) (“China Railway”) alleged that ZOBHP was in breach of a construction contract entered into with China Railway in 1999 in relation to The Grand Panorama Project in which China Railway was the main contractor. The aggregate amount claimed by China Railway was approximately RMB23,115,000 plus further interests, damages and costs.

ZOBHP had made a counter-claim on China Railway in the amount of approximately RMB41,730,000 for damages in the delay in the progress and the quality of work performed by China Railway and requested that the construction contract entered with China Railway be declared null and void.

On 30 July 2004, the PRC Court ordered that China Railway be evacuated from the construction site of the Project and such evacuation took place on 8 November 2004. In early 2005, the PRC Court notified ZOBHP that all construction work of the Project could resume.

On 15 August 2006, the PRC Court issued a judgement against ZOBHP for an aggregate sum of approximately RMB9,682,672 and the interest on certain part thereof (the "Judgement"). ZOBHP had lodged an appeal against the Judgement to the Higher People's Court of the PRC in Guangdong Province. The proceedings of the case are ongoing.

Further details of the above-mentioned litigation have been announced by the Company in its announcements dated 13 February 2004 and 8 September 2006.

- (c) On 15 June 2004, the Company was informed by Polycrown Engineering Limited ("PEL"), a 51% non wholly-owned subsidiary of the Company, that the board of directors of PEL ("PEL Board") had resolved that PEL be wound up pursuant to section 228A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("CO") because PEL Board considered that PEL could not by reason of its enormous liabilities continue its business. On 12 July 2004, Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton were appointed as the joint and several liquidators of PEL at a creditors' meeting of PEL. The liquidation is ongoing.

On 7 July 2004, OIL, a wholly-owned subsidiary of the Company, filed a petition for the winding-up of Polycrown Engineering (Holdings) Limited ("PEHL") to the Court since PEHL had failed to meet a statutory demand in the sum of HK\$2,151,000 issued by OIL on 28 May 2004. The Court ordered PEHL to be wound-up under the provisions of the CO on 11 August 2004. On 23 May 2005, Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton were appointed as the joint and several liquidators of PEHL. The liquidation is ongoing.

Further details of the transactions have been announced by the Company in its announcements dated 16 June 2004, 7 July 2004, 11 August 2004 and 7 June 2005 respectively.

On 2 November 2004, the Company filed a petition for a bankruptcy order against Mr. Leung Pok Ching ("Mr. Leung") who was a director of PEL and PEHL and has an attributable interest of 49% in PEHL. A bankruptcy order was made by the Court against Mr. Leung on 5 January 2005.

- (d) ZOBHP has received a writ of summons dated 16 August 2006 issued by the PRC Court. According to the aforesaid summons, 珠海市興遠工貿發展公司 (“興遠工貿”) alleged that ZOBHP was in breach of a contract in relation to the handling of the approval documents for the import of certain construction equipment and materials into the PRC regarding The Grand Panorama Project. The aggregate amount claimed by 興遠工貿 was approximately RMB2,788,000 plus interests.

The proceedings of the case are ongoing and no judgement has been made yet.

8. PROCEDURES FOR DEMANDING POLL

Pursuant to bye-law 78 of the bye-laws of the Company, a resolution put to the vote at any general meeting of the Company shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised 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 the shares conferring that right.

9. MISCELLANEOUS

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business of the Company in Hong Kong is at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.
- (b) The secretary of the Company is Ms. Chung Wing Yee. Ms. Chung is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

- (c) The qualified accountant of the Company is Ms. Yuen Wai Man. Ms. Yuen is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (d) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are 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, on weekdays (except public holidays), up to and including 7 March 2007:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contract referred to in the paragraph headed "Material contracts" in this appendix;
- (c) the circular of the Company dated 24 May 2006 regarding the formation of the joint venture company for a property development project of the Group in Nanjing, the PRC, including provision of financing to the said joint venture company;
- (d) the annual report of the Company for the two financial years ended 31 December 2004 and 31 December 2005 respectively;
- (e) the interim report of the Company for the six months ended 30 June 2006; and
- (f) the written approval of the controlling shareholder of the Company as referred to in the paragraph headed "Listing Rules implications" in the "Letter from the Board" in this circular.