
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 you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Pearl Oriental Innovation Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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東方明珠創業有限公司*

Pearl Oriental Innovation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

DISCLOSEABLE AND SHARE TRANSACTION

A letter from the board of directors of the Company is set out on pages 3 to 11 of this circular.

18 October 2006

* For identification purpose only

DEFINITIONS

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

“Announcement”	the announcement dated 26 September 2006 issued by the Company in relation to the matters contained in this circular
“associate”	has the meaning ascribed to it under the Listing Rules
“Audited Net Profit”	The audited consolidated net profit after tax of Tongsheng, which shall be determined in accordance with the International Accounting Standards
“Board”	the board of Directors
“Company”	Pearl Oriental Innovation Limited (formerly known as China Merchants DiChain (Asia) Limited), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the transactions contemplated under the S&P Agreement
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted by the shareholders of the Company to the Board to issue 49,768,392 new Shares at the annual general meeting of the Company held on 30 August 2006
“Group”	the Company and its subsidiaries
“HK\$”	The lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	16 October 2006, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information for inclusion in this document
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“PRC”	People’s Republic of China, and for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC
“S&P Agreement”	a conditional sale and purchase agreement between the Ms. Yang and the Company dated 14 September 2006 in relation to the Tongsheng Acquisition of Target Shares
“Share(s)”	ordinary share(s) of HK\$0.50 each in the issued share capital of the Company
“Shareholder(s)”	The holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Shares”	60% interests in the capital of POL Sino to be acquired by the Company pursuant to the S&P Agreement
“Tongsheng Acquisition”	the acquisition of Target Shares by the Company pursuant to the S&P Agreement
“Tongsheng Consideration Shares”	5,640,000 new Shares of the Company to be issued and allotted as the consideration for the Tongsheng Acquisition pursuant to the S&P Agreement
“%”	per cent.

In this circular, for purpose of illustration only, amounts quoted in RMB have been converted into Hong Kong dollars at the rate of RMB1.03 to HK\$1.00. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amount was or may have been exchanged at this or any other rates or at all.



東方明珠創業有限公司*
Pearl Oriental Innovation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

Executive Directors:

Wong Yuk Kwan (alias: Wong Kwan)

Lin Xizhong

Chan Yiu Keung

Cheung Kwok Yu

Zhou Li Yang

Zheng Yingsheng

Non-executive Directors:

Robert Fung Hing Piu

Independent non-executive Directors:

Anwar Ibrahim

Lee G. Lam

Victor Yang

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head office and principal place of
business in Hong Kong:*

Unit 3611, 36/F.,

West Tower, Shun Tak Centre

168-200 Connaught Road

Central, Hong Kong

18 October 2006

To the Shareholders

Dear Sirs,

DISCLOSEABLE AND SHARE TRANSACTION

1. INTRODUCTION

As announced by the Company on 26 September 2006, the Company and Ms. Yang entered into the S&P Agreement, under which, subject to certain conditions, (i) the Company agreed to acquire and Ms. Yang agreed to sell 60% of equity interests in POL Sino, at a total consideration of HK\$22 million which will be satisfied by the allotment and issue of the Tongsheng Consideration Shares to Ms. Yang.

The purpose of this circular is to provide you with further details relating to the above transaction.

* For identification purpose only

LETTER FROM THE BOARD

The S&P Agreement

Date

14 September 2006

Parties

Purchaser: the Company

Vendor: Ms. Yang Yu Qing

Subject Matter: 60% equity interest of Pearl Oriental Logistics Sino Limited (東明物流華中控股有限公司) (“POL Sino”) which shall become a subsidiary of the Company after Completion

As one of the conditions for the Tongsheng Acquisition set out under the paragraph headed “Conditions of the S&P Agreement”, Ms. Yang has undertaken to procure that the entire share capital of Tongsheng will be acquired by POL Sino prior to Completion.

Ms. Yang is the current sole ultimate beneficial owner of Tongsheng. POL Sino’s existing issued share capital of HK\$1.00 comprising 1 Share of HK\$1.00 each, and is now wholly and beneficially owned by Ms. Yang.

To the best of the Board’s knowledge, information and belief having made all reasonable enquiry, Ms. Yang or her associate has no other business dealings with the Company within 12 months prior to the date of the S&P Agreement and Ms. Yang is a third party independent of the Company and is independent of connected persons of the Company, and also is not a connected person of the Company as defined in the Listing Rules.

Assets to be acquired

The Target Shares represent 60% of the issued share capital of POL Sino.

It is a condition of the S&P Agreement that POL Sino will, prior to Completion, acquire the legal title of the entire share capital and become the sole shareholder of Wuhan Tongsheng Logistics Co., Ltd, a company incorporated in the PRC (to be re-named as Pearl Oriental Logistics Sino (Wuhan) Limited東明物流華中(武漢)有限公司after Completion) (“Tongsheng”) at a consideration of RMB1 million which is payable to Ms. Yang within 3 months after Completion pursuant to the terms and conditions of the S&P Agreement.

Consideration

The consideration of the Tongsheng Acquisition is HK\$22 million and will be satisfied by the issue of 5,640,000 new shares of the Company at HK\$3.90 per Share to POL Sino on the day (or such other date as may be agreed between the Company and Ms. Yang) after satisfaction of all the conditions under the paragraph headed “Conditions of the S&P Agreement”.

LETTER FROM THE BOARD

Structure of the Tongsheng Acquisition

The Company will issue the Tongsheng Consideration Shares to POL Sino to subscribe for 22,000,000 new shares of HK\$1.00 each in POL Sino which effectively represent the entire paid-up share capital of POL Sino of HK\$22 million upon Completion, in which 8,800,000 shares in total in POL Sino will be transferred to Ms. Yang. The Company will then procure 40% shareholdings in POL Sino to be transferred to Ms. Yang from the Company and POL Sino will then also transfer 2.5 million of the Tongsheng Consideration Shares (with a value of HK\$9.75 million based on price of HK\$3.90 per Share) to Ms. Yang as soon as practicable after Completion as consideration for her agreeing to the transfer of the entire capital of Tongsheng to POL Sino. After that, the Company will hold 60% of POL Sino.

POL Sino will place the remaining 3.14 million of the Tongsheng Consideration Shares (with a value of HK\$12.25 million based on price of HK\$3.90 per Share) within 3 months after Completion and proceeds from such placement (the “Proceeds”) will be applied for (i) the acquisition of the entire capital of Tongsheng as to RMB1 million which is payable to Ms. Yang; (ii) the increase of the registered capital of Tongsheng up to RMB9 million; and (iii) the balance (if any) as working capital of POL Sino.

The Board hereby undertakes that it shall cause and procure the remaining of 3.14 million of the Tongsheng Consideration Shares will be placed by POL Sino through a licensed placing agent (who shall not be a connected person of the Company) to placees (the “Placees”) who are not connected persons and are independent of the Company and connected persons of the Company as defined in the Listing Rules.

If the Proceeds shall be equal to or more than RMB10 million, the registered capital of Tongsheng will be increased from RMB1 million as at the date hereof to RMB10 million after Completion.

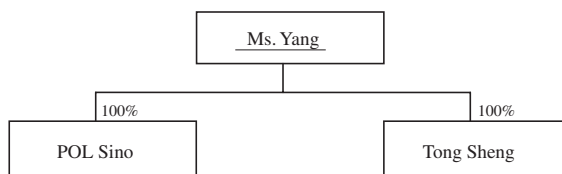
If the Proceeds shall be less than RMB10 million, the amount of the increase in the registered capital of Tongsheng will be reduced on a dollar-to-dollar basis accordingly.

The Company has already sought legal advice on Bermuda and Hong Kong laws which confirmed the legality of the structure of the Tongsheng Acquisition, and has been advised that POL Sino can hold the Tongsheng Consideration Shares for Ms. Yang and the Placees according to the relevant laws in Bermuda and Hong Kong.

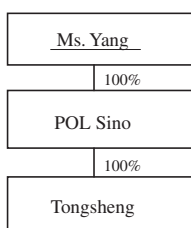
LETTER FROM THE BOARD

Shareholding structure of Tongsheng before and after Completion are as follows:–

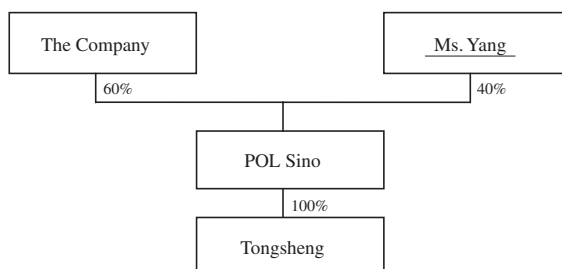
The Existing Shareholding Structure



Shareholding Structure immediately before the Completion



Shareholding Structure after Completion



Tongsheng Consideration Shares

The price per Tongsheng Consideration Share (i) represents a premium of 17.8% to the closing price of HK\$3.31 per Share as quoted on the Stock Exchange on 14 September 2006 being the last trading day prior to this announcement; and (ii) represents a premium of approximately 8.7% to the average closing price of HK\$3.587 per Share as quoted on the Stock Exchange from 18 August 2006 to 14 September 2006, both dates inclusive, being the last twenty trading days immediately before and up to the issue of this announcement. The price per Tongsheng Consideration Share of HK\$3.90 was agreed after arm's length negotiations between the Company and Ms. Yang after taking into account the trading prices of the Shares. The Tongsheng Acquisition will not result in change of control of the Company.

Assuming no Shares will be issued and/or repurchased by the Company between the date of this announcement and up to Completion, the Tongsheng Consideration Shares represent approximately 2.10% of the existing issued share capital of the Company, and approximately 2.05% of the issued share capital of the Company as enlarged by the issue and allotment of the

LETTER FROM THE BOARD

Tongsheng Consideration Shares. The Tongsheng Consideration Shares, when issued on Completion, will rank pari passu in all respects with the existing Shares in issue.

The consideration was arrived at after arm's length negotiations between the Company and Ms. Yang and on normal commercial terms, and was determined by taking into consideration, including without limitation, of: (i) an indicative price earnings ratio ("P/E ratio") of approximately 2.89 times (being the consideration divided by the indicative average annual profit guaranteed by Ms. Yang for three financial years ending 31 December 2009 as set out in the paragraph "Guaranteed Profit" below); and (ii) the future business development potential of Tongsheng.

The Board (including the independent non-executive Directors) considers that the terms of the S&P Agreement (including the price per Consideration Share) are fair and reasonable and are in the interests of the Company and its shareholders as a whole, in particular, given the relatively low indicative P/E ratio of approximately 2.89 times (while the industry average P/E ratio for listed PRC logistics business is over 10) and the Group does not have to pay any cash for the Tongsheng Acquisition. The S&P Agreement is on normal commercial terms.

Other Terms

Ms. Yang has agreed to carve out certain properties and trade receivable in Tongsheng amounting to RMB16,334,000 (since they are not logistics related assets) (the "Carving-out") before Completion, and has undertaken that the net assets value of Tongsheng will not be less than RMB13,390,000 and all the business and income of the operations of Tongsheng will still be remained in Tongsheng immediately after Completion which will be verified by the Company during its financial due diligence on Tongsheng before Completion.

Ms. Yang has further agreed to pledge all her remaining 40% shareholding in POL Sino under a share charge in favour of the Company until the liabilities and responsibilities of the profit guarantee are fully discharged.

Conditions of the S&P Agreement

Completion of the S&P Agreement shall be conditional on:

- (a) all applicable requirements and steps required under the Listing Rules in connection with the Tongsheng Acquisition, including without limitation, the approval from the Stock Exchange in respect of the issue and listing of the Tongsheng Consideration Shares having been fulfilled or complied with; and
- (b) the approval of shareholders of the Company in respect of the Tongsheng Acquisition in a general meeting of the Company (if required);
- (c) that all statutory and other requirements that are required in respect of the Tongsheng Acquisition of the entire share capital of Tongsheng by the POL Sino or its nominee having been fulfilled or obtained;

LETTER FROM THE BOARD

- (d) the completion of the operational, legal and financial due diligence exercise on Tongsheng and the results of the due diligence exercise being satisfactory to the Company.

Ms. Yang has undertaken to procure the fulfillment of the above conditions by Completion. If any of the above conditions shall not be fulfilled on or before Completion or such other date as the parties shall mutually agree in writing, the S&P Agreement shall ipso facto cease and determine and neither party shall have any claim against the other for costs, damages, compensation or otherwise. It is expected that the Tongsheng Acquisition will be completed on or before 31 December 2006.

Completion

The S&P Agreement is to be completed on the day (or such other date as may be agreed between the Company and Ms. Yang) after satisfaction of the conditions under the paragraph headed “Conditions of the S&P Agreement” above.

Guaranteed Profit

Ms. Yang has guaranteed to the Company that the Audited Net Profit for the three financial years ending 31 December 2009 shall be not less than the figures as follows:–

Year ending	<i>RMB</i>
31 December 2007	8 million
31 December 2008	12 million
31 December 2009	18 million
	<hr/>
	Sub-total
	<u>38 million</u>

Should any of the Audited Net Profit for the financial years ending 31 December 2009 falls below the figures set out in above, Ms. Yang has to pay the shortfall on a dollar-to-dollar basis to the Company after the issuance of the audit report for each of the financial year ending 31 December 2009. The guaranteed profit was determined by Ms. Yang with reference to the future business development potential of Tongsheng, which shall be the principal assets of POL Sino.

Therefore the indicative price earnings ratio is approximately 2.89 times (being the relevant consideration divided by the indicative average profit guaranteed by the Vendor for the three financial years ending 31 December 2009).

Based on the above, the Directors believe that the Tongsheng Acquisition will have positive impact on the earnings of the Group.

LETTER FROM THE BOARD

Information of POL Sino

POL Sino was incorporated on 16 December 2005 in Hong Kong and its principal activities of POL Sino are investment holdings.

The Company expects POL Sino will acquire the entire share capital of Tongsheng pursuant to the terms of the S&P Agreement.

Tongsheng has the proper licences to provide logistics services and currently manages a logistics centre of 20,000 square meters in Wuhan and a fleet of 200 trucks (of which 43 vehicles are owned by Tongsheng). The operation network of Tongsheng covers over 40 cities in China. Its commercial logistics services include warehousing for raw materials and finished goods, warehouse management, packing and re-packing, re-processing, regional delivery and storage for retailers, payment collection, international forwarding and custom clearance. Its comprehensive logistics services include domestic and international warehousing, transportation, logistics and supply chain management consultancy. Tongsheng's major customers and strategic partners include Pepsi-Cola, Wal-Mart, Wuhan Cigarettes, HP computers, China Rocket Holdings, Cosco, China shipping, China Eastern Air Cargo and China Southern Air Cargo.

POL Sino has no operation or subsidiary and has no profit/loss, asset or liability up to the date hereof. Set out below is the financial information of Tongsheng as extracted from its latest management accounts prepared in accordance with the PRC accounting standards:

	Unaudited 5-month ended 31 May 2006 (after the Carving-out) approximately <i>HK\$'000</i>	Unaudited year ended 31 December 2005 (after the Carving-out) approximately <i>HK\$'000</i>	Unaudited year ended 31 December 2004 (after the Carving-out) approximately <i>HK\$'000</i>
Turnover	7,749	12,270	9,320
Net Profit/(loss) before taxation and Extraordinary item	3,043	(20)	(17)
Net profit/(loss) after taxation and extraordinary item	2,039	(20)	(17)
Net assets value	15,776	1,018	1,038

Reasons for the Tongsheng Acquisition

The Group is principally engaged in operating bonded warehouse, provision of logistics and related services and logistics-related property investment in the PRC and investing in energy and natural resources sectors.

LETTER FROM THE BOARD

The reasons for the Tongsheng Acquisition are as follows:–

- (i) Tongsheng has a well established logistics network, and therefore, the Board is confident in the business development potential of Tongsheng;
- (ii) The Board believes the Tongsheng Acquisition will have synergy effect on the logistics business of the Group since Tongsheng has a well established logistics network in Huazhong area, which is very important for the Group to provide nationwide logistics services to sizeable and multinational clients;
- (iii) The profit margin of Tongsheng in 2006 is impressive and the Company expects a strong growth in the operating profits of POL Sino;
- (iv) The Board believes that the Tongsheng Acquisition will increase the market share of the Group in the logistics market of China; and
- (v) The Board believes that it will bring good returns to the Group given the indicative price earning ratio of the Tongsheng Acquisition is relatively low in comparison with that of the PRC logistics industry average.

The table below shows the shareholding structure of the Company as a result of the Tongsheng Acquisition. As at the Latest Practicable Date, Ms. Yang does not have any legal or beneficial interest in any Shares of the Company and she will not become a substantial shareholder of the Company as a result of the issue of the Tongsheng Consideration Shares.

Name of Shareholders	Shareholding structure as at the Latest Practicable Date		Shareholding structure after completion of the Tongsheng Acquisition	
	No. of Shares	%	No. of Shares	%
Orient Day Developments Limited (<i>Note 1</i>)	165,290,800	61.48	165,290,800	60.22
Dr. Robert Fung Hing Piu, a Director	2,518,199	0.94	2,518,199	0.92
Ms. Yang	–	–	2,500,000	0.91
POL Sino (<i>Note 2</i>)	–	–	3,140,000	1.14
Public Shareholders	101,032,961	37.58	101,032,961	36.81
Total	<u>268,841,960</u>	<u>100.00</u>	<u>274,481,960</u>	<u>100.00</u>

Note 1: Orient Day Developments Limited is a company incorporated with limited liability in the British Virgin Islands and is wholly and beneficially owned by Mr. Wong Kwan.

Note 2: These 3.14 million Share will be held for and eventually sold to places as set out in the paragraph “Structure of the Tongsheng Acquisition” above.

LETTER FROM THE BOARD

General

The Tongsheng Acquisition contemplated under the S&P Agreement constitutes a discloseable transaction involving issue of Shares of the Company under Rule 14.06 of the Listing Rule. The completion of the S&P Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Tongsheng Consideration Shares. An application will be made to the Stock Exchange for the listing of and permission to deal in the Tongsheng Consideration Shares.

General Mandate

The Tongsheng Consideration Shares will be issued pursuant to the General Mandate, which allows the Board to issue 49,768,392 new Shares. The General Mandate has not been utilized prior to the entering into of the S&P Agreement and the Equity Transfer Agreements and is sufficient to cover the number of the Tongsheng Consideration Shares. Should the General Mandate have been utilized before the Completion of the Acquisitions, a special general meeting will be held to approve the issue of the Tongsheng Consideration Shares.

The Tongsheng Consideration Shares will on issue rank equally in all respects with the then existing Shares save for any dividend or other distribution declared, made or paid by the Company by reference to a record date falling before the date of issue of the Tongsheng Consideration Shares.

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

Yours faithfully,
By order of the Board
Pearl Oriental Innovation Limited
Wong Kwan
Chairman and Chief Executive

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 in this circular misleading.

SHARE CAPITAL OF THE COMPANY**(a) Share Capital**

Authorized capital:

	<i>HK\$</i>
600,000,000 ordinary shares of HK\$0.50 each	<u>300,000,000</u>

Issued and fully paid or credited as fully paid:

As at the Latest Practicable Date

268,841,960 ordinary shares of HK\$0.50 each	<u>134,420,980</u>
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Upon allotment and issue of the Consideration Shares:

268,841,960 existing Shares	134,420,980
<u>5,640,000</u> Tongsheng Consideration Shares	<u>2,820,000</u>
<u>274,481,960</u> Shares	<u>137,240,980</u>

All existing issued Shares rank equally in all respects, including capital, dividends and voting rights. The Shares in issue are listed on the Stock Exchange.

(b) Share Options

Pursuant to the Company's share option scheme (the "Scheme"), the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time, without prior approval from Shareholders. The number of Shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the Company's issued share capital or with a value in excess of HK\$5 million, otherwise it must be approved by the Shareholders.

The following table sets out the details of the outstanding share options as at the Latest Practicable Date:

Exercise Price	Exercise Period	Outstanding options as at the Latest Practicable Date
HK\$6.000	20.5.2004 – 21.6.2012	300,000
HK\$3.100	18.8.2005 – 20.6.2012	478,400
HK\$3.120	28.9.2005 – 20.6.2012	40,000
HK\$3.320	6.4.2006 – 20.6.2012	100,000
HK\$3.150	29.8.2006 – 20.6.2012	2,430,000
HK\$1.390	17.2.2007 – 20.6.2012	80,000
HK\$3.375	13.6.2007 – 20.6.2012	17,500,000
		<hr style="border-top: 1px solid black;"/> 20,928,400 <hr style="border-top: 3px double black;"/>

As at the Latest Practicable Date, save for the above, the Company did not have any other outstanding options, warrants or other securities convertible into Shares.

DISCLOSURE OF INTERESTS

A. Interests in the Company or its associated companies

(a) *Interests of Directors and chief executive*

As at the Latest Practicable Date, the interests of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which

were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) *Long position in the Shares*

Name of Directors	Number of Shares held in the Capacity of				Total number of Shares held	Percentage of the issued share capital of the Company
	Beneficial owner	Family interest	Held by controlled corporation	Held by trust		
Wong Kwan (<i>Note</i>)	-	-	166,205,800	-	166,205,800	61.82%
Robert Fung Hing Piu	46,109	-	1,200,000	1,272,090	2,518,199	0.94%

Note: These Shares were held by Orient Day Developments Limited, which is wholly-owned by Mr. Wong Kwan.

(ii) *Share options*

Name of Directors	Capacity	Number of options held	Number of underlying shares
Wong Kwan	Beneficial owner	2,400,000	2,400,000
Anwar Ibrahim	Beneficial owner	2,000,000	2,000,000
Lee G. Lam	Beneficial owner	2,000,000	2,000,000
Lin Xizhong	Beneficial owner	1,000,000	1,000,000
Chan Yiu Keung	Beneficial owner	1,000,000	1,000,000
Cheung Kwok Yu	Beneficial owner	1,000,000	1,000,000
Zheng Yingsheng	Beneficial owner	2,030,000	2,030,000
Zhou Li Yang	Beneficial owner	1,410,000	1,410,000
Robert Fung Hing Piu	Beneficial owner	1,070,000	1,070,000
Victor Yang	Beneficial owner	1,040,000	1,040,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provision of the SFO) and/or required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules relating to securities transactions by the Directors.

(iii) *Other Interests*

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 31 March 2006 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

There was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

B. Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were expected, directly or indirectly, to be 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 and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital are as follows:

Name of Substantial Shareholders	Capacity	Number of Shares held	Number of underlying shares held
Orient Day Developments Limited (<i>Note</i>)	Beneficial owner	165,290,800	Nil

Note:

Orient Day Developments Limited is wholly owned by Mr. Wong Kwan.

Save as disclosed above, the Directors and chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who as at the Latest Practicable Date had interests and/or short position in the shares and underlying shares of the Company which would full to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or was expected, directly or indirectly, to be 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with business of the Group.

DIRECTORS' SERVICE CONTRACTS

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MATERIAL LITIGATIONS

As at the Latest Practicable Date, the Group had three pending litigation claims from the ex-directors of a disposed subsidiary who claim against the Group for a sum of not less than HK\$11.4 million. The actions are at the initial stage and the Group and its legal representative are unable to ascertain the possible effects of the claims.

In addition, the Company issued a writ of summons on 31 August 2006 against Dichain Holdings Limited, 3 former Directors, namely Fan Di, Li Xinggui and Wu Shiyue, Hero Vantage Limited and 大連雙喜商貿發展有限公司(Dalian Shuangxi Trade Development Limited) for damages of a sum of RMB64.5 million.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

MISCELLANEOUS

- (a) The company secretary and the qualified accountant of the Company is Mr. Cheung Kwok Yu . Mr. Cheung is qualified as a solicitor in Hong Kong and a fellow member of The Association of Chartered Certified Accountants.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

- (c) The principal place of business of the Company is situate at Unit 3611, 36th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (d) The English text of this circular and the accompany form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.