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

(Formerly known as China Merchants DiChain (Asia) Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

**DISCLOSEABLE TRANSACTION INVOLVING
ISSUE OF NEW SHARES**

A letter from the board of directors of the Company is set out on pages 3 to 10 of this circular.

23 August 2006

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DEFINITIONS

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

“Acquisition”	the acquisition of Sale Shares from the Vendors by the Purchaser pursuant to the S&P Agreement
“Audited Net Profit”	The audited consolidated net profit after tax of Euro Resources and its subsidiaries, which shall be determined in accordance with the International Accounting Standards
“Board”	the board of directors of the Company
“Euro Resources”	Euro Resources China Limited, a company incorporated in Hong Kong with limited liability
“Sale Shares”	5,000 shares of HK\$1.00 each in the capital of Euro Resources to be acquired by the Purchaser pursuant to the S&P Agreement
“Company”	Pearl Oriental Innovation Limited (formerly known as China Merchants DiChain (Asia) Limited), a company incorporated in Bermuda with limited liability and the shares of which are traded on the Stock Exchange
“Consideration Shares”	7,500,000 new Shares of the Company to be issued and allotted as the consideration for the Acquisition pursuant to the S&P Agreement
“ERI”	Exploitation Ressources Internationales S.A., a company incorporated in France with limited liability
“Euro” or “€.”	the lawful currency of the European Community
“General Mandate”	the general mandate granted by the shareholders of the Company to the Board to issue 37,752,392 new Shares at the special general meeting of the Company held on 22 May 2006
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Latest Practicable Date”	23 August 2006, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information for inclusion in this document

DEFINITIONS

“Mr. Zhang”	Zhang Genyu, the vendor under an agreement entered into with the Company on 15 July 2006 for the VSA
“Other Independent Parties”	Chao Yan, Chao Kim Han, Chao Helene, Chao Armel, Chao Isabelle and Chao Alexandre, to the best of the Board’s knowledge, information and belief having made all reasonable enquiry, all of them are independent of the Company and independent of connected persons of the Company, and are not connected persons of the Company
“Share(s)”	ordinary share(s) of HK\$0.50 each in the capital of the Company
“S&P Agreement”	a conditional sale and purchase agreement between the Vendors and the Purchaser dated 29 July 2006 in relation to the acquisition of Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VSA”	a very substantial transaction of the Company as announced by the Company on 20 July 2006

Note:

For the purpose of this circular and for reference only, unless otherwise specified, exchange rate of Euro 1.00 to HK\$10 is adopted.



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Pearl Oriental Innovation Limited

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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 Pui

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

23 August 2006

To the Shareholders

Dear Sirs,

**DISCLOSEABLE TRANSACTION INVOLVING
ISSUE OF NEW SHARES**

1. INTRODUCTION

As announced by the Company on 2 August 2006, the Purchaser and the Vendors have entered into the S&P Agreement, under which subject to certain conditions, the Purchaser has agreed to acquire and the Vendors have agreed to sell the Sale Shares, which represents 50% equity interest of Euro Resources, at an aggregate consideration of approximately HK\$50 million, of which Euro 2 million (equivalent to approximately HK\$20 million) in cash and the balance of HK\$30 million by the issue of the Consideration Shares at HK\$4.00 per Share.

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

2. THE S&P AGREEMENT DATED 29 JULY 2006

Parties

Purchaser:	Grand Ascend Investments Limited, is incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, its principal business is investment holdings
Vendors:	Mr. Laurent Kim (“Mr. Kim”) and Mr. Ung Phong (“Mr. Ung”)
Subject Matter:	50% equity interest of Euro Resources, which shall become an associated company of the Company after Completion and shall be equity accounted for by the Group.

The current ultimate sole beneficial owner of Euro Resources is Mr. Kim. Mr. Ung is not a shareholder of Euro Resources as at the date hereof.

Mr. Ung is the legal owner of approximately 68.65% equity interests in ERI and holds such equity interests for the benefits of Mr. Kim. The legal owners of the remaining approximately 5.07% of the equity interests in ERI are family members of Mr. Kim. Mr. Kim is the legal owner and the ultimate beneficial owner of approximately 6.28% and 80% equity interests in ERI respectively.

To the best knowledge of the Board, Mr. Ung is a father-side-cousin of Mr. Kim and both of them are not related to and are independent of Mr. Zhang, the vendor for the VSA. To the best knowledge of the Board, both Mr. Kim and Mr. Ung have not acquired any equity interest in the Company or its subsidiaries.

As one of the conditions for the Acquisition set out under the paragraph headed “Conditions of the S&P Agreement”, the Vendors have undertaken to procure that the entire share capital, including the remaining 20% share capital currently owned by the Other Independent Parties, of ERI will be acquired by Euro Resources prior to Completion.

Mr. Kim borrowed a loan (the “Loan”) of Euro 800,000 (equivalent to HK\$8 million approximately) from the Purchaser on 21 July 2006 at an interest rate of 5% per annum and with a maturity date of 31 October 2006 and out of which Euro 500,000 (equivalent to approximately HK\$5 million) would be used for the purpose of acquiring additional production machinery of ERI. The Loan is secured by personal guarantees and pledge of approximately 80% of equity interests in ERI and being still outstanding at the date of this circular. The Loan is on normal commercial terms and not inter-conditional upon the S&P Agreement. Upon Completion, the Loan will be set-off against part of the Cash Consideration (as defined below).

Mr. Kim has undertaken that a sum of not less than Euro 500,000 (equivalent to approximately HK\$5 million) of the Loan would be advanced (and had already paid) to ERI for the purpose of acquiring additional production machinery of ERI in form of a shareholder’s loan, which will be waived by Mr. Kim upon Completion.

LETTER FROM THE BOARD

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, each of the Vendors has no other business dealings with the Company and both of them are third parties independent of the Company and are independent of connected persons of the Company, and also are not connected persons of the Company as defined in the Listing Rules.

Assets to be acquired

The Sale Shares represent 50% of the issued share capital of Euro Resources.

The Company expects that Euro Resources will acquire the entire share capital of ERI pursuant to the terms and conditions of the S&P Agreement before Completion.

Consideration

The aggregate consideration of the Acquisition is equivalent to approximately HK\$50 million and will be satisfied by the payment of a sum of Euro Two million (equivalent to approximately HK\$20 million) to Mr. Kim in cash (the "Cash Consideration") and the balance of HK\$30 million by the issue of 7,500,000 Consideration Shares at HK\$4.00 per Share to Mr. Kim on the day (or such other date as may be agreed between the Company and the Vendors) after satisfaction of all the conditions under the paragraph headed "Conditions of the S&P Agreement". No part of the Consideration will be payable to Mr. Ung.

Upon Completion, the Loan will be set-off against part of the Cash Consideration and the balance of Euro 1.2 million (equivalent to HK\$12 million approximately) will be paid in cash to Mr. Kim.

The Board intends to source the funds required for the Acquisition from internal resources of the Company.

Consideration Shares

The price per Consideration Share (i) represents a discount of 2.4% to the closing price of HK\$4.1 per Share as quoted on the Stock Exchange on 28 July 2006 being the last trading day prior to the Company's announcement dated 2 August 2006; and (ii) represents a discount of approximately 1.8% to the average closing price of HK\$4.075 per Share as quoted on the Stock Exchange from 11 July 2006 to 28 July 2006, both dates inclusive, being the last ten trading days immediately before and up to the issue of this announcement. The price per Consideration Share of HK\$4.00 was agreed after arm's length negotiations between the Company and the Vendors after taking into account the trading prices of the Shares. The 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 circular and up to Completion, the Consideration Shares represent approximately 3.01% of the existing issued share capital of the Company, and approximately 2.93% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. The Consideration Shares, when issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

LETTER FROM THE BOARD

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors and on normal commercial terms, and was determined by taking into consideration, including without limitation, of: (i) an indicative price earnings ratio of approximately 2.5 times (being the Consideration divided by the indicative annual profit guaranteed by the Vendors for each of three financial years ending 31 December 2009); (ii) the future business development potential of Euro Resources; and (iii) the potential capital appreciation which are of the mutual benefits of the parties if Euro Resources can get a listing status in an overseas stock exchange.

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. The S&P Agreement is on normal commercial terms.

Lock-up Period

Mr. Kim has undertaken to the Purchaser not to transfer, assign or dispose any part of the Consideration Shares for a period one (1) year commencing on the date of Completion.

Other Terms

The Vendors have agreed to waive all outstanding shareholders loans as at the date of Completion owing from Euro Resources and ERI upon Completion.

To the best knowledge of the Company, Mr. Kim has also agreed to sell 10% shareholding in Euro Resources to another investor, Poly Keen Limited (the "Investor") that, and its sole beneficial owner, are independent of the Company and connected persons of the Company, and also are not connected persons of the Company as defined in the Listing Rules.

After Completion, the share capital of Euro Resources will be owned by the Purchaser, Mr. Kim and the Investor as to 50%, 40% and 10% respectively.

Mr. Kim has further agreed to pledge all his remaining 40% shareholding in Euro Resources 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 Acquisition, including without limitation, the approval from the Stock Exchange in respect of the issue and listing of the Consideration Shares having been fulfilled or complied with;

LETTER FROM THE BOARD

- (b) Euro Resources or its nominee has acquired the entire issued share capital of ERI;
- (c) the Purchaser, having received from a legal opinion, relating, inter alia, to
 - (i) ERI is a company duly incorporated and validly existing under the laws of France;
 - (ii) that all statutory and other requirements that are required in respect of the acquisition of the entire share capital of ERI by the Euro Resources or its nominee having been obtained; and
 - (iii) that all statutory and other requirements applicable to the carrying on of the business of ERI as now carried on, and all conditions applicable to any licences and consents involved in the carrying on of such business, have been complied with; and
- (d) the completion of the operational, legal and financial due diligence exercise on Euro Resources and ERI and the results of the due diligence exercise being satisfactory to the Purchaser.

Each of the Vendors has undertaken to procure the fulfillment of the above conditions by Completion. Unless specifically waived by the Purchaser, 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 Acquisition will be completed on or before 31 October 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 the Vendors) after satisfaction of the conditions under the paragraph headed “Conditions of the S&P Agreement” above.

Guaranteed Profit

The Vendors have guaranteed to the Company that the Audited Net Profit for each of the three financial years ending 31 December 2009 shall not be less than Euro 4 million (equivalent to approximately HK\$40 million). Should any of the Audited Net Profit for the financial years ending 31 December 2009 falls below Euro 4 million, the Vendors have 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 with reference to the future business development potential of ERI, which shall be the principal assets of Euro Resources. No profit guarantee has been given for the year ending 31 December 2006 as ERI has only commenced its production in April 2006.

Therefore the indicative price earnings ratio is approximately 2.5 times (being the Consideration divided by the indicative profit guaranteed by the Vendors for each of three financial years ending 31 December 2009).

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

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE

As there is no long stop date for the VSA, and assuming that 75,800,000 Shares (the “VSA Shares”) will be issued for the VSA and no other Shares will be issued and/or repurchased by the Company between the date of this circular and up to Completion and a total of 7,500,000 Consideration Shares will be issued upon Completion, the shareholding structure of the Company immediately before and after Completion will be as follows:

	Existing Shareholding before the issue of the VSA Shares and Consideration Shares		Shareholding immediately after the issue of the Consideration Share		Shareholding immediately after the issue of the VSA Shares and Consideration Shares	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Orient Day Developments Limited (<i>Note</i>)	141,805,800	57.00	141,805,800	55.34	141,805,800	42.70
Dr. Robert Fung Hing Piu, a Director	2,518,199	1.01	2,518,199	0.98	2,518,199	0.76
Mr. Zhang and his nominees	–	–	–	–	75,800,000	22.83
Mr. Kim	–	–	7,500,000	2.93	7,500,000	2.26
Public Shareholders	104,437,961	41.99	104,437,961	40.75	104,437,961	31.45
Total	<u>248,761,960</u>	<u>100.00</u>	<u>256,261,960</u>	<u>100.00</u>	<u>332,061,960</u>	<u>100.00</u>

Note: 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.

INFORMATION OF EURO RESOURCES

Euro Resources is a newly incorporated dormant company and its principal activity is investment holdings. It will carry on, through a subsidiary to be acquired pursuant to the S&P Agreement, i.e. ERI, recycling and trading businesses.

The Company expects Euro Resources will acquire the entire share capital of ERI pursuant to the terms of the S&P Agreement prior to Completion.

ERI is mainly engaged in trading of waste materials and recycling waste plastic materials in France and selling them as raw materials (the “Product”) in the PRC market. ERI is successful in recycling waste plastic materials by applying automatic and environmental friendly procedures in processing these waste plastic materials.

LETTER FROM THE BOARD

ERI has commenced its production and sold the Product to the PRC market since April 2006 and the existing annual production capacity of ERI for the Product is approximately 5,000 tons. The turnover of ERI for the two years ended 31 December 2005 mainly represented the income of ERI from trading of waste materials. After the acquisition of additional production machinery as mentioned in above, the Company expects that the annual production capacity of ERI for the Product will be increased to 30,000 tons in 2007.

Euro Resources has no subsidiary at the date hereof. Set out below is the financial information of ERI (exchange rate used: Euro 1.00 = HK\$10.0) as extracted from its latest audited accounts prepared in accordance with French accounting standards:

	Audited year ended 31 December 2005 Approximately HK\$'000	Audited year ended 31 December 2004 Approximately HK\$'000
Turnover	3,515	2,233
Net loss before and after taxation	(2,265)	(3,710)
Extraordinary item	10,963	(187)
Net profit/(loss) after extraordinary item and taxation	8,698	(3,897)
Net assets value	58,316	45,281

REASONS FOR THE 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 through its associated company, including the investment in a joint venture in coal business under the VSA.

The reasons for the Acquisition are as follows:

- (i) The adventure into the business of Euro Resources and ERI is in line with that of the Company's focus in resources and energy sectors;
- (ii) The Company has conducted extensive market research (including made enquiries with existing customers of ERI and independent experienced operators in the plastic industry) and noted a very strong demand of the Product which complies the relevant environmental protection requirements for import in the PRC. Since the relevant legal requirements for exporting and importing waste materials in both France and the PRC respectively have been becoming more stringent, the Company expects a great development potential for the Product;
- (iii) The profit margin of the Product is very attractive and the Company expects a very strong growth in the operating profits of Euro Resources;

LETTER FROM THE BOARD

- (iv) The Company is very confident that Euro Resources may get a listing status in an overseas stock exchange, particularly in Europe, due to the fact that ERI's recycling business is situated in France with automatic and environmental friendly processing and it has strong market potential of the Product in the PRC are likely very attractive to potential investors in Europe according to experienced professional brokers and financial advisers in European markets. Therefore in such event the Company can realise its capital appreciation in the stock market in the near future, though Euro Resources does not have any concrete listing plan as of the date hereof; and
- (v) Given the solid experience of management team of Euro Resources, additional capital and new production capacities of Euro Resources and also keen interests of potential customers of the Product who have been approached by Euro Resources, the Company is also very confident that Euro Resources will become a leading provider of recycled plastic materials in Europe for the PRC and other markets in the near future.

The Company also expects that there will be synergy effect as the professional logistics team of the Group can provide quality logistics services to Euro Resources and ERI and as a result the Group's logistics business may have additional income and the related transportation costs of Euro Resources and ERI may be reduced accordingly.

The Board has also taken into consideration of the small dilution effect of the Acquisition (i.e. the interest of public shareholders will be diluted from 41.99% to 40.75% upon Completion) but, given the great development potential of Euro Resources, still considers that the Acquisition is on normal commercial terms and is fair and reasonable and in the interest to the Company and its Shareholders as a whole.

The Company intends to maintain its existing logistics business after the Acquisition.

GENERAL MANDATE

The Consideration Shares will be issued pursuant to the General Mandate, which allows the Board to issue 37,752,392 new Shares. The General Mandate has not been utilized prior to the entering into of the S&P Agreement and is sufficient to cover the number of the Consideration Shares. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

ADDITIONAL INFORMATION

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
(formerly known as China Merchants DiChain (Asia) 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

248,761,960 ordinary shares of HK\$0.50 each	<u>124,380,980</u>
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Upon allotment and issue of the Consideration Shares

248,761,960 existing Shares	124,380,980
<u>7,500,000</u> Consideration Shares	<u>3,750,000</u>
<u>256,261,960</u> Shares	<u>128,130,980</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	1,360,000
HK\$3.100	18.8.2005 – 20.6.2012	1,018,400
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	3,900,000
HK\$1.390	17.2.2007 – 20.6.2012	500,000
HK\$3.375	13.6.2007 – 20.6.2012	17,500,000
		<hr/> <hr/> <u>24,418,400</u>

In addition, pursuant to the supplemental agreement dated 20 March 2006, the Company has granted to Orient Day Developments Limited an option, pursuant to which, Orient Day Developments Limited has the right to subscribe for not more than 20,000,000 Shares (after adjustment for share consolidation).

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>)	-	-	141,805,800	-	141,805,800	57.00%
Robert Fung Hing Piu	46,109	-	1,200,000	1,272,090	2,518,199	1.01%

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
	Interest in corporation	20,000,000	20,000,000
		(<i>Note</i>)	
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

Note:

20,000,000 options were held by Orient Day Developments Limited, which is wholly owned by Mr. Wong Kwan.

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	141,805,800	20,000,000

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 his/her 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 LITIGATION

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.

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. Yu Wai Kit. Mr. Yu is a member of Australian Society of Certified Practising Accountants and a member of Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, 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.