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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular, 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 **Trasy Gold Ex Limited** (the “Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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## TRASY GOLD EX LIMITED

卓施金網有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8063)

- (i) **PLACING OF NEW SHARES;**
- (ii) **PLACING OF CONVERTIBLE NOTES;**
- (iii) **CONNECTED TRANSACTIONS IN RELATION TO ISSUE OF NEW SHARES AND CONVERTIBLE NOTES TO ITC CORPORATION LIMITED;**
- (iv) **PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES; AND**
- (v) **NOTICE OF EXTRAORDINARY GENERAL MEETING**

Placing Agent



TAIFOOK SECURITIES COMPANY LIMITED

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



FIRST SHANGHAI GROUP

**First Shanghai Capital Limited**

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A notice convening the extraordinary general meeting of the Company to be held at 10:00 a.m. on Wednesday, 8 August 2007 at Bridges Executive Centre, 20/F., Central Tower, 28 Queen's Road Central, Hong Kong, is set out on pages 41 to 43 of this circular. If you are not able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.trasy.com](http://www.trasy.com).

23 July 2007

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## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination of GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

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## DEFINITIONS

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

“2007 AGM”	the annual general meeting of the Company held on 23 April 2007
“Additional Amount”	the convertible notes out of the Placing Notes which have not been successfully placed by the Placing Agent in the CN Placing (if any) and are available for subscription by ITC at ITC’s election pursuant to the CN Subscription Agreement subject to a maximum aggregate principal amount of HK\$50,000,000
“Announcement”	the joint announcement of the Company and ITC dated 5 July 2007 relating to, inter alia, the Share Placing, the CN Placing, the Share Subscription, the CN Subscription and the refreshment of the Existing General Mandate
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	board of Directors
“Business Day”	any day (not being a Saturday or Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Change of Control”	it occurs when: (i) any person or persons, acting together (other than ITC and/or parties acting in concert with it for the purposes of the Takeovers Code) acquires control of the Company; or (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to another person or persons (other than ITC and/or parties acting in concert with it for the purposes of the Takeovers Code) acquiring control over the Company or the successor entity,  and “control” of a company means a holding or aggregate holdings of more than 50% of the voting rights of such company
“CN Placing”	the placing of the Placing Notes, on best efforts basis, by the Placing Agent pursuant to the CN Placing Agreement
“CN Placing Agreement”	the conditional placing agreement dated 29 June 2007 entered into between the Company and the Placing Agent in relation to the CN Placing
“CN Subscription”	the subscription of the Subscription Notes by ITC pursuant to the CN Subscription Agreement
“CN Subscription Agreement”	the conditional subscription agreement dated 29 June 2007 entered into between the Company and ITC in relation to the CN Subscription
“Company”	Trasy Gold Ex Limited (stock code: 8063), a company incorporated in the Cayman Islands with limited liability and whose issued Shares are listed on GEM
“Completion”	completion of the Share Placing and Share Subscription and/or the CN Placing and the CN Subscription (as the case may be)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Convertible Notes”	the Placing Notes and the Subscription Notes
“Conversion Share(s)”	new Share(s) falling to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes
“Directors”	directors of the Company

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## DEFINITIONS

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“Dr. Chan”	Dr. Chan Kwok Keung, Charles, the chairman and substantial shareholder of ITC
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Share Placing Agreement and the allotment and issue of the Placing Shares; (ii) the CN Placing Agreement and the allotment and issue of the Placing Notes; (iii) the Share Subscription Agreement and the allotment and issue of the Subscription Shares; (iv) the CN Subscription Agreement and the allotment and issue of the Subscription Notes; (v) the allotment and issue of the Conversion Shares upon exercise of conversion rights under the Convertible Notes; and (vi) the refreshment of the Existing General Mandate
“Existing General Mandate”	the general mandate granted by the Shareholders to the Directors at the 2007 AGM to allot, issue and deal in up to 555,800,000 new Shares
“First Shanghai”, or “Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Wong Kai Tat and Mr. Yue Wai Keung, established for the purpose of advising the Independent Shareholders on the terms of the Placing, the Subscription and the refreshment of the Existing General Mandate
“Independent Third Party(ies)”	party(ies) who, together with their ultimate beneficial owner(s), is/are persons independent of the Company and its connected persons or of ITC and its connected persons (as the context may indicate)
“Independent Shareholders”	holders of the Shares other than ITC and its associates
“Initial Conversion Price”	HK\$0.24 per Conversion Share, subject to adjustments
“ITC”	ITC Corporation Limited (stock code: 372), a company incorporated in Bermuda with limited liability and whose issued shares are listed on the main board of the Stock Exchange
“Latest Practicable Date”	19 July 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
“Listing Rules”	the GEM Listing Rules or the Main Board Listing Rules, as the context may indicate
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	the placee(s) to be procured by Taifook Securities under the Share Placing and the CN Placing, all of which and their respective beneficial owners are Independent Third Parties

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## DEFINITIONS

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“Placing”	the Share Placing and the CN Placing
“Placing Agent”, or “Taifook Securities”	Taifook Securities Company Limited, a corporation licensed to carry out types 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities under the SFO
“Placing Notes”	convertible notes in an aggregate principal amount of up to HK\$100,000,000 which may be issued by the Company pursuant to the CN Placing Agreement
“Placing Price”	HK\$0.205 per Placing Share
“Placing Share(s)”	an aggregate of up to 392,000,000 new Shares to be placed under the Share Placing
“PRC”	the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Placing”	the placing of the Placing Shares, on best efforts basis, by the Placing Agent pursuant to the Share Placing Agreement
“Share Placing Agreement”	the conditional placing agreement dated 28 June 2007 entered into between the Company and the Placing Agent in relation to the Share Placing
“Share Subscription”	the subscription of the Subscription Shares pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the conditional subscription agreement dated 28 June 2007 entered into between the Company and ITC in relation to the Share Subscription
“Shareholder(s)” or “Member(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the Share Subscription and the CN Subscription
“Subscription Notes”	the convertible notes in an aggregate principal amount of HK\$50,000,000 (subject to any increase of an amount up to the Additional Amount as mentioned under the paragraph headed “The CN Subscription Agreement” in the letter from the Board in this circular) conditionally agreed to be issued by the Company pursuant to the CN Subscription Agreement
“Subscription Price”	HK\$0.205 per Subscription Share
“Subscription Shares”	an aggregate of up to 340,000,000 new Shares conditionally agreed to be allotted and issued by the Company to ITC and/or its nominee(s) pursuant to the Share Subscription Agreement, subject to the condition as mentioned under the paragraph headed “The Share Subscription Agreement” in the letter from the Board in this circular
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

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## LETTER FROM THE BOARD

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### TRASY GOLD EX LIMITED

卓施金網有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8063)

*Directors:*

Mr. Francis J. CHANG Chu Fai (*Chairman*)  
Mr. LEUNG Man Pok, John (*Managing Director*)  
Ms. CHEUNG Wing Chi, Winnie  
Mr. CHUNG Koon Yan\*  
Mr. WONG Kai Tat\*  
Mr. YUE Wai Keung\*

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

\* *independent non-executive Directors*

*Head office and principal place  
of business:*

Rooms 301-302, 3rd Floor  
United Chinese Bank Building  
Nos.31-37 Des Voeux Road Central  
Hong Kong

23 July 2007

*To the Shareholders*

Dear Sir or Madam,

- (i) **PLACING OF NEW SHARES;**
- (ii) **PLACING OF CONVERTIBLE NOTES;**
- (iii) **CONNECTED TRANSACTIONS IN RELATION TO ISSUE OF NEW SHARES AND  
CONVERTIBLE NOTES TO ITC CORPORATION LIMITED;**
- (iv) **PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE TO ALLOT AND ISSUE  
NEW SHARES; AND**
- (v) **NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **INTRODUCTION**

The Board announced that: (i) the Company and the Placing Agent entered into the Share Placing Agreement and the CN Placing Agreement on 28 June 2007 and 29 June 2007 respectively; and (ii) the Company and ITC, a controlling Shareholder, entered into the Share Subscription Agreement and the CN Subscription Agreement on 28 June 2007 and 29 June 2007 respectively.

The Board also proposed to seek the Independent Shareholders' approval at the EGM to refresh the Existing General Mandate for the Directors to allot, issue and deal in the new Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of the relevant resolution granting of such mandate.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the terms of the Placing, the Subscription and the refreshment of the Existing General Mandate. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is (i) to provide you with information on the Share Placing Agreement, the CN Placing Agreement, the Share Subscription Agreement, the CN Subscription Agreement, and the proposed refreshment of the Existing General Mandate; (ii) to set out the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser in relation to the Share Placing Agreement,

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## LETTER FROM THE BOARD

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the CN Placing Agreement, the Share Subscription Agreement, the CN Subscription Agreement, and the refreshment of the Existing General Mandate; and (iii) to give you a notice of the EGM at which resolutions will be proposed to consider and, if thought fit, approve the Placing, the Subscription and the refreshment of Existing General Mandate.

### THE SHARE PLACING AGREEMENT

On 28 June 2007, the Company and the Placing Agent entered into the Share Placing Agreement pursuant to which, among other things, the Placing Agent conditionally agreed to place, on best efforts basis, a maximum of 392,000,000 Placing Shares to not less than six Placees who will be Independent Third Parties and not parties acting in concert with ITC or Dr. Chan for the purposes of the Takeovers Code. None of the Placees together with its concert parties will be interested in 30% or more of the voting rights of the Company as a result of the Share Placing and the Share Subscription.

### Placing Agent

The Placing Agent is Taifook Securities. Each of Taifook Securities and its holding company, Taifook Securities Group Limited (the issued shares of which are listed on the Main Board of the Stock Exchange with stock code of 665), is an Independent Third Party. The Placing Agent will receive a commission of 2% on the gross proceeds of the actual number of the Placing Shares being placed.

### Placing Shares

The 392,000,000 Placing Shares represent (i) approximately 11.77% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 10.53% of the issued share capital of the Company as enlarged by the Share Placing; and (iii) approximately 9.65% of the issued share capital of the Company as enlarged by the Share Placing and the Share Subscription.

### Placing price

The Placing Price of HK\$0.205 represents:

- a discount of approximately 17.34% to the closing price of HK\$0.248 per Share as quoted on the GEM on 28 June 2007, being the last trading day immediately before trading in the Shares was suspended pending the release of the Announcement;
- a discount of approximately 15.64% to the average closing price of HK\$0.243 per Share as quoted on the GEM for the last 5 trading days up to and including 28 June 2007;
- a discount of approximately 14.58% to the average closing price of HK\$0.240 per Share as quoted on the GEM for the last 10 trading days up to and including 28 June 2007;
- a discount of approximately 51.19% to the closing price of HK\$0.42 per Share as quoted on the GEM on the Latest Practicable Date;
- a discount of approximately 52.21% to the average closing price of HK\$0.429 per Share as quoted on the GEM for the last 5 trading days up to and including the Latest Practicable Date; and
- a discount of approximately 48.30% to the average closing price of HK\$0.3965 per Share as quoted on the GEM for the last 10 trading days up to and including the Latest Practicable Date.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Share Placing are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Share Placing will be approximately HK\$80,360,000. The net Placing Price per Placing Share will be approximately HK\$0.20 after taking into account the estimated expenses to be incurred in the Share Placing.



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## LETTER FROM THE BOARD

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### Conditions of the Share Placing

Completion of the Share Placing is conditional upon:-

- (i) the passing by the Shareholders who are permitted to vote under the GEM Listing Rules and other applicable rules at the EGM of all necessary resolutions in compliance with the GEM Listing Rules and other applicable rules to approve the transactions contemplated under the Share Placing Agreement;
- (ii) all conditions under the Share Subscription Agreement having been fulfilled (other than the condition which requires the fulfilment of all conditions under the Share Placing Agreement); and
- (iii) the GEM Listing Committee having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) approval for the listing of and permission to deal in the Placing Shares and the Subscription Shares.

If the above conditions are not fulfilled on or prior to 31 August 2007 (or such later date as may be agreed between the Company and the Placing Agent), the Share Placing Agreement shall terminate and neither party shall have any claim against the other for any costs or losses (save in respect of any antecedent breaches of the Share Placing Agreement). The Share Placing and the Share Subscription are inter-conditional with each other. Completion of the Share Placing will not take place if completion of the Share Subscription does not occur, and vice versa. As at the Latest Practicable Date, none of the conditions had been fulfilled.

### Completion of the Share Placing

Completion of the Share Placing shall take place on or before the third Business Day after the Share Placing Agreement becomes unconditional (or such later date as the Company and the Placing Agent shall agree) and simultaneously with the completion of the Share Subscription.

### Listing and ranking of the Placing Shares

An application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Placing Shares to be issued under the Share Placing Agreement. The Placing Shares, when fully paid, will rank *pari passu* in all respects with all the Shares in issue at the date of issue of the Placing Shares.

### THE CN PLACING AGREEMENT

On 29 June 2007, the Company and the Placing Agent also entered into the CN Placing Agreement pursuant to which, among other things, the Placing Agent conditionally agreed to place, on best efforts basis, up to a maximum principal amount of HK\$100,000,000 Placing Notes which are convertible into 416,666,666 Conversion Shares at an Initial Conversion Price of HK\$0.24 per Conversion Share (subject to adjustments), to not less than six Placees who will be Independent Third Parties and not parties acting in concert with ITC or Dr. Chan for the purpose of the Takeovers Code. None of the Placees together with its concert parties will be interested in 30% or more of the voting rights of the Company as a result of the CN Placing and the CN Subscription.

### Placing Agent

The Placing Agent is Taifook Securities.

### Principal terms of the Placing Notes

Issuer:	The Company
Aggregate principal amount:	Up to HK\$100,000,000
Initial Conversion Price:	HK\$0.24 per Conversion Share

The Initial Conversion Price was determined on an arm's length basis between the Company and the Placing Agent respectively with reference to, among other things, the recent performance of the price of the Shares.

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## LETTER FROM THE BOARD

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The Initial Conversion Price is subject to anti-dilutive adjustments, including consolidation or subdivision of the Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events, which may or may not occur.

The Initial Conversion Price of HK\$0.24 per Conversion Share (i) represents a discount of approximately 3.23% to the closing price of HK\$0.248 per Share as quoted on the GEM on 28 June 2007, being the last trading day immediately prior to the date of the CN Placing Agreement and the CN Subscription Agreement; (ii) represents a discount of approximately 1.23% to the average of the closing prices of HK\$0.243 per Share as quoted on the GEM for the last 5 trading days prior to the date of the CN Placing Agreement and the CN Subscription Agreement; (iii) is the same as the average of the closing prices of HK\$0.240 per Share for the last 10 trading days as quoted on the GEM prior to the date of the CN Placing Agreement and the CN Subscription Agreement; (iv) represents a discount of approximately 42.86% to the closing price of HK\$0.42 per Share as quoted on the GEM on the Latest Practicable Date; (v) represents a discount of approximately 44.06% to the average of the closing prices of HK\$0.429 per Share as quoted on the GEM for the last 5 trading days up to and including the Latest Practicable Date; and (vi) represents a discount of approximately 39.47% to the average of the closing prices of HK\$0.3965 per Share as quoted on the GEM for the last 10 trading days up to and including the Latest Practicable Date.

Interest: 4% per annum, payable annually

Maturity date: The date immediately before the second anniversary of the date of issue of the Convertible Notes, or, if that is not a Business Day, the first Business Day thereafter (“Original Maturity Date”).

In the event of a Change of Control of the Company prior to the Original Maturity Date, the holder(s) of the Convertible Notes may by notice in writing to the Company require it to redeem (and whereupon the Company shall redeem) all (but not part only) of the outstanding principal amount of the Convertible Notes on the later of (a) the date on which the Change of Control occurs; and (b) the expiry of 20 Business Days from the notice from the holder(s) of the Convertible Notes referred to above. Under the terms of the Convertible Notes, “control” of the Company means holding or aggregate holdings of more than 50% of the voting rights of the Company.

Redemption: Any outstanding and unconverted Convertible Notes will be redeemed at an amount equal to the principal amount of the outstanding Convertible Notes together with any accrued interest in cash at maturity date.

In the event of a Change of Control, the holder(s) of the Convertible Notes may require the Company to redeem all (but not part of) the outstanding and unconverted Convertible Notes at an amount which is 103% of the principal amount of the outstanding Convertible Notes together with any accrued interest in cash at maturity date.

The Company or any of its subsidiaries may prior to the maturity date purchase any Convertible Notes at a price which is up to 115% of the principal amount of the outstanding Convertible Notes, as may be agreed between the Company or such subsidiary and the relevant holders of the Convertible Notes provided that the Company shall at the same price offer to purchase from other holder(s) of the Convertible Notes a like percentage of the Convertible Notes. Any Convertible Notes purchased shall forthwith be cancelled by the Company.

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## LETTER FROM THE BOARD

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Transferability:	The Convertible Notes will be freely transferable but may not be transferred to a connected person of the Company without the prior written consent of the Company.
Conversion period:	A holder of the Convertible Notes shall have the right at any time during the period commencing on and excluding the 7th day after the date of issue of the Convertible Notes up to and including the date which is 7 days prior to the Original Maturity Date to convert the whole or any part (at denominations of HK\$500,000 or integral multiples thereof) of the principal amount outstanding under the Convertible Note(s) into Conversion Shares.
Voting rights:	The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of it being the holders of the Convertible Notes.
Listing:	No application will be made for the listing of the Convertible Notes on the GEM or any other stock exchange. An application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares to be issued under the CN Placing Agreement and the CN Subscription Agreement.
Ranking:	The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Notes will, when issued, rank pari passu with all other Shares in issue as at the date of allotment and issue of such Conversion Shares.

### **Conversion Shares falling to be issued upon exercise in full of the conversion rights attaching to the Placing Notes**

Assuming that the maximum aggregate principal amount of the Placing Notes are placed by the Placing Agent, upon full conversion of the Placing Notes at the Initial Conversion Price (subject to adjustments), a total of 416,666,666 Conversion Shares will be issued, representing (i) approximately 12.51% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 11.12% of the issued share capital of the Company as enlarged by the CN Placing; and (iii) approximately 10.54% of the issued share capital of the Company as enlarged by the CN Placing and the CN Subscription.

### **Conditions of the CN Placing**

Completion of the CN Placing is conditional upon:-

- (i) the GEM Listing Committee having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) approval for the listing of, and permission to deal in, the Conversion Shares;
- (ii) the GEM Listing Committee having approved (either unconditionally or subject only to conditions to which the Company and the Placing Agent do not reasonably object) the issue of the Placing Notes, or the Company not having received any objection from the GEM Listing Committee to the issue of the Placing Note;
- (iii) the passing by the Shareholders who are permitted to vote under the GEM Listing Rules and the Takeovers Code (if required) at the EGM of all necessary resolutions in compliance with the GEM Listing Rules and the Takeovers Code (if required) to approve the transactions contemplated under the CN Placing Agreement and the issue of the Conversion Shares; and
- (iv) all conditions under the CN Subscription Agreement having been fulfilled (other than the condition which requires the fulfilment of all conditions under the CN Placing Agreement).

If the above conditions are not fulfilled (or waived by the Placing Agent in respect of condition (iv) above) on or before 31 August 2007 (or such later date as may be agreed between the Placing Agent and the Company in writing), the CN Placing Agreement shall thereupon lapse and become null and void and the parties will be released from all obligations hereunder, save for any liability arising out of any antecedent breaches hereof. The CN Placing and the CN Subscription are inter-conditional with each other. Completion of the CN Placing will not take place if completion of the CN Subscription does not occur and vice versa. As at the Latest Practicable Date, none of the conditions had been fulfilled.

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## LETTER FROM THE BOARD

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### Completion of the CN Placing

Completion of the CN Placing shall take place on the third Business Day after fulfilment or waiver (as applicable) of the last of the above conditions (or such other date as may be agreed between the Company and the Placing Agent), being the same date on which completion of the CN Subscription Agreement takes place (so that the CN Placing Agreement shall not be completed unless the CN Subscription Agreement is completed at or about the same time).

### THE SHARE SUBSCRIPTION AGREEMENT

On 28 June 2007, the Company and ITC entered into the Share Subscription Agreement pursuant to which, among other things, ITC conditionally agreed to subscribe and/or procure its nominee(s) to subscribe for the Subscription Shares, subject to the condition that the number of Subscription Shares actually subscribed by ITC and/or its nominee(s), together with the Shares held by ITC and parties acting in concert with it on the date of Completion shall be 38.58% of the total issued share capital of the Company as enlarged by the Share Subscription and the Share Placing and ITC shall be entitled to subscribe and/or procure its nominee(s) to subscribe for such number of Subscription Shares which together with the Shares held by ITC and parties acting in concert with it on the date of Completion not exceed 40% of the total issued share capital of the Company as enlarged by the Share Subscription and the Share Placing. As at the date of the Share Subscription Agreement, ITC was beneficially interested in approximately 38.58% of the issued share capital of the Company. The Share Subscription constitutes a connected transaction for the Company and is subject to approval of the Independent Shareholders.

### Subscription Shares

On the basis that 392,000,000 Placing Shares are successfully placed by the Placing Agent, the maximum number of Subscription Shares that can be subscribed by ITC will be 340,000,000 Subscription Shares, which represent (i) approximately 10.21% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 9.27% of the issued share capital of the Company as enlarged by the Share Subscription; and (iii) approximately 8.37% of the issued share capital of the Company as enlarged by the Share Placing and the Share Subscription.

The aggregate maximum number of new Shares to be issued under the Share Placing Agreement and the Share Subscription Agreement is 732,000,000 Shares, which represent (i) approximately 21.99% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 18.02% of the issued share capital of the Company as enlarged by the Share Placing and the Share Subscription. On the basis that the aggregate maximum number of 732,000,000 new Shares are to be issued, the maximum gross proceeds for the Share Placing and the Share Subscription will be HK\$150,060,000.

### Subscription Price

HK\$0.205 per Subscription Share, which is equal to the Placing Price. The maximum gross proceeds from the Share Subscription will be HK\$69,700,000.

### Conditions of the Share Subscription

Completion of the Share Subscription is conditional upon:

- (i) the passing by the Shareholders who are permitted to vote under the GEM Listing Rules and other applicable rules and codes at the EGM of all necessary resolutions in compliance with the GEM Listing Rules and other applicable rules and codes to approve the transactions contemplated under the Share Subscription Agreement;
- (ii) the GEM Listing Committee having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) approval for the listing of and permission to deal in the Subscription Shares and the Placing Shares;
- (iii) (if required) the passing by the ITC's shareholders at a special general meeting of ITC of all necessary resolutions to approve the transactions contemplated under the Share Subscription Agreement; and

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## LETTER FROM THE BOARD

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- (iv) all conditions under the Share Placing Agreement having been fulfilled (other than the condition which requires the fulfillment of all conditions under the Share Subscription Agreement).

If the above conditions are not fulfilled on or prior to 31 August 2007 (or such later date as may be agreed between the Company and ITC in writing), the Share Subscription Agreement shall terminate and neither party thereto shall have any claim against the other for any costs or losses (save in respect of any antecedent breaches of the Share Subscription Agreement). The Share Placing and the Share Subscription are inter-conditional with each other. Completion of the Share Placing will not take place if completion of the Share Subscription does not occur, and vice versa. As at the Latest Practicable Date, none of the conditions had been fulfilled.

### **Completion of the Share Subscription**

Completion of the Share Subscription shall take place on or before the third Business Day after the Share Subscription Agreement becomes unconditional (or such other date as ITC and the Company may agree), and simultaneously with the completion of the Share Placing.

### **Listing and ranking of the Subscription Shares**

An application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares to be issued under the Share Subscription Agreement. The Subscription Shares, when fully paid, will rank *pari passu* in all respects with all the Shares in issue at the date of issue of the Subscription Shares.

### **THE CN SUBSCRIPTION AGREEMENT**

On 29 June 2007, the Company and ITC also entered into the CN Subscription Agreement pursuant to which, among other things, ITC conditionally agreed to subscribe and/or procure its nominee(s) to subscribe for a principal amount of HK\$50,000,000 Subscription Notes. Upon notification by the Company of the aggregate principal amount of the Placing Notes successfully placed by the Placing Agent, ITC may also elect to subscribe and/or procure its nominee(s) to subscribe for the Additional Amount (representing the principal amount of the Convertible Notes out of the Placing Notes which have not been successfully placed by the Placing Agent (if any)) subject to a maximum aggregate principal amount of HK\$50,000,000. The CN Subscription constitutes a connected transaction for the Company and is subject to approval of the Independent Shareholders. The Company is independent of and not connected with ITC and its connected persons under the definition of the Listing Rules.

### **Principal terms of the Subscription Notes**

The Subscription Notes and the Placing Notes have the same terms except that the aggregate initial principal amount of the Subscription Notes is HK\$50,000,000 and subject to a top up of the Additional Amount, making the total aggregate principal amount of Subscription Notes under the CN Subscription Agreement up to HK\$100,000,000. Please refer to the sub-paragraph headed "Principal terms of the Placing Notes" above for the details of the terms.

### **Conversion Shares falling to be issued upon exercise in full of the conversion rights attaching to the Subscription Notes**

Based on an aggregate principal amount of HK\$50,000,000 Subscription Notes are issued under the CN Subscription, upon full conversion of the Subscription Notes at the Initial Conversion Price (subject to adjustments), a total of 208,333,333 Conversion Shares will be issued, representing (i) approximately 6.26% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 5.89% of the issued share capital of the Company as enlarged by the CN Subscription; and (iii) approximately 5.27% of the issued share capital of the Company as enlarged by the CN Subscription and the CN Placing (assuming the maximum aggregate principal amount of the Placing Notes are placed by the Placing Agent and full conversion of the Placing Notes).

The maximum aggregate principal amount of the Convertible Notes to be issued by the Company under the CN Placing Agreement and the CN Subscription Agreement is HK\$150,000,000, upon full conversion of which at the Initial Conversion Price (subject to adjustment), a total of 625,000,000 Conversion Shares will be issued, representing (i) approximately 18.77% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 15.81% of the issued share capital of the Company as enlarged by the CN Subscription and the CN Placing (assuming the maximum aggregate principal amount of the Placing Notes are placed by the Placing Agent and full conversion of the Placing Notes).

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## LETTER FROM THE BOARD

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### Conditions of the CN Subscription

Completion of the CN Subscription is conditional upon:

- (i) the passing by the Shareholders who are permitted to vote under the GEM Listing Rules and the Takeovers Code (if required) at the EGM of all necessary resolutions in compliance with the GEM Listing Rules and the Takeovers Code (if required) to approve the transactions contemplated under the CN Subscription Agreement and the issue of the Conversion Shares;
- (ii) the GEM Listing Committee having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) approval for the listing of, and permission to deal in, the Conversion Shares;
- (iii) the GEM Listing Committee having approved (either unconditionally or subject only to conditions to which the Company and ITC do not reasonably object) the issue of the Subscription Notes, or the Company not having received any objection from the GEM Listing Committee to the issue of the Subscription Notes;
- (iv) (if required) the passing by the Shareholders of ITC at a special general meeting of ITC of all necessary resolutions to approve the transactions contemplated under the CN Subscription Agreement in compliance with all relevant rules, regulations and codes; and
- (v) all conditions under the CN Placing Agreement having been fulfilled (other than the condition which requires the fulfilment of all conditions under the CN Subscription Agreement).

If the above conditions are not fulfilled (or waived by ITC in respect of condition (v) above) on or before 31 August 2007 (or such later date as may be agreed between ITC and the Company in writing), the CN Subscription Agreement shall thereupon lapse and become null and void and the parties will be released from all obligations hereunder, save for any liability arising out of any antecedent breaches hereof. The CN Placing and the CN Subscription are inter-conditional with each other. Completion of the CN Placing will not take place if completion of the CN Subscription does not occur, and vice versa. As at the Latest Practicable Date, none of the conditions had been fulfilled.

### Completion of the CN Subscription

Completion shall take place on the third Business Day after fulfilment or waiver (as applicable) of the last of the above conditions (or such other date as may be agreed between the Company and ITC) and simultaneously with completion of the CN Placing Agreement (so that completion of the CN Subscription Agreement shall not take place unless completion of the CN Placing Agreement takes place at or about the same time).

### Termination of the CN Subscription Agreement

Up to the completion date of the CN Subscription Agreement, ITC may terminate the CN Subscription Agreement if certain things (including force majeure) happen, including if,

- (i) there develops, occurs or comes into effect:
  - (aa) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the CN Subscription Agreement), including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not ejusdem generis with any of the foregoing, resulting in a material and adverse change in, or which would be expected to result in a material and adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong;
  - (bb) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
  - (cc) any material and adverse change in conditions of local, national or international securities markets;



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## LETTER FROM THE BOARD

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- (dd) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group which shall materially and adversely affect the business or the financial or trading position of the Group;
- (ee) the instigation of any litigation or claim of material importance by any third party against any member of the Group which would materially and adversely affect the business, financial or trading position of the Group;

and which can reasonably be expected, in the opinion of ITC acting reasonably, to have or has had a material adverse effect upon the condition (financial or otherwise) or earnings, business affairs or business prospects of the Group;

- (ii) there is any breach of any of the warranties made by the Company as set out in the CN Subscription Agreement which has come to the knowledge of ITC or any event which has occurred or any matter which has arisen on or after the date of the CN Subscription Agreement and prior to its completion which (a) if it had occurred or arisen before the date hereof would have rendered any of such warranties untrue, inaccurate or misleading in any material respect, or (b) in the opinion of ITC acting reasonably, materially and adversely affects the financial position or business or prospects of the Company;
- (iii) there has been a breach of or failure to perform any Company's obligations in any material respect under the CN Subscription Agreement; and
- (iv) there has been a suspension of trading in the Shares on the GEM for a continuous period of more than 20 consecutive trading days other than a temporary suspension for clearance of the Announcement.

If ITC terminates the CN Subscription Agreement, the CN Subscription will not proceed.

### EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Upon completion of the CN Placing and completion of the CN Subscription and based on the terms of the CN Placing Agreement and the CN Subscription Agreement, the maximum amount of Convertible Notes issuable by the Company is HK\$150,000,000, of which a minimum of HK\$50,000,000 will be subscribed by ITC. Depending on the final amount (if any) of Placing Notes not successfully placed by the Placing Agent, ITC, may, at its election, subscribe for more Subscription Notes up to the Additional Amount of HK\$50,000,000.

The existing and enlarged shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Placing (assuming the maximum number of the Placing Shares have been placed by the Placing Agent) and the Share Subscription (assuming the maximum number of Subscription Shares have been subscribed by ITC) but before the completion of the CN Placing and the CN Subscription; (iii) immediately after completion of the Share Placing (assuming the maximum number of the Placing Shares have been placed by the Placing Agent), the Share Subscription (assuming the maximum number of Subscription Shares have been subscribed by ITC), the CN Placing of HK\$100,000,000 Placing Notes, the CN Subscription of HK\$50,000,000 Subscription Notes and full conversion of the Convertible Notes; and (iv) immediately after completion of the Share Placing (assuming the maximum number of the Placing Shares have been placed by the Placing Agent), the Share Subscription (assuming the maximum number of Subscription Shares have been subscribed by ITC), the CN Placing of HK\$50,000,000 Placing Notes, the CN Subscription of HK\$100,000,000 Subscription Notes (including the Additional Amount) and full conversion of the Convertible Notes are set out in the table below (in each case assuming that there is no

## LETTER FROM THE BOARD

other change in the issued share capital of the Company from the Latest Practicable Date except for the issue of the Placing Shares, the Subscription Shares and the Conversion Shares as the case may be).

	(i)		(ii)		(iii)		(iv)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Shareholders</b>								
<b>ITC</b>								
- Existing Shares	1,227,451,139	36.87	1,227,451,139	30.22	1,227,451,139	26.19	1,227,451,139	26.19
- Subscription Shares	-	-	340,000,000	8.37	340,000,000	7.26	340,000,000	7.26
- Conversion Shares (Note)	-	-	-	-	208,333,333	4.44	416,666,666	8.89
<b>Subtotal of ITC</b>	<b>1,227,451,139</b>	<b>36.87</b>	<b>1,567,451,139</b>	<b>38.59</b>	<b>1,775,784,472</b>	<b>37.89</b>	<b>1,984,117,805</b>	<b>42.34</b>
<b>Public</b>								
- Places under the Share Placing	-	-	392,000,000	9.65	392,000,000	8.37	392,000,000	8.37
- Places under the CN Placing	-	-	-	-	416,666,666	8.89	208,333,333	4.44
- Other public Shareholders	2,101,928,861	63.13	2,101,928,861	51.76	2,101,928,861	44.85	2,101,928,861	44.85
<b>Subtotal of public</b>	<b>2,101,928,861</b>	<b>63.13</b>	<b>2,493,928,861</b>	<b>61.41</b>	<b>2,910,595,527</b>	<b>62.11</b>	<b>2,702,262,194</b>	<b>57.66</b>
<b>Total</b>	<b>3,329,380,000</b>	<b>100.00</b>	<b>4,061,380,000</b>	<b>100.00</b>	<b>4,686,379,999</b>	<b>100.00</b>	<b>4,686,379,999</b>	<b>100.00</b>

Note: ITC will comply with the applicable Main Board Listing Rules and the Takeovers Code upon conversion of the Subscription Notes to be held by ITC or Dr. Chan and/or any of its/his nominee(s).

### REASONS FOR THE PLACING AND THE SUBSCRIPTION

The Directors consider that the recent market sentiment provides a good opportunity for the Company to raise funds while broadening its shareholder base. The maximum gross proceeds from the Placing and the Subscription will be HK\$300,060,000 and the maximum net proceeds of approximately HK\$295,000,000 from the Placing and the Subscription are intended to be used for the investments to diversify the Group's business activities and broaden its earnings base. The Company will target at looking for strategic investments that would bring in attractive capital gain to it in medium term. As at the Latest Practicable Date, no such investment or business had been identified by the Company. In all, the Directors consider that the Placing and the Subscription represent a good opportunity to raise capital for the Company and broaden its shareholder base, and the Placing and the Subscription will put the Group in a better position to meet the challenges of the market and take advantage of investment opportunities to broaden its earnings base so as to enhance the Shareholders' value.

The Directors have not considered other means of fund raising activities except the Placing and the Subscription because they consider that, in addition to the above factors, the Placing and the Subscription are cost effective in terms of both cost and time when compared to other kinds of fund-raising mechanism such as rights issue, bank borrowings and open offer.

### CAPITAL RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

Date	Event	Subscription price (HK\$)	Net proceeds (HK\$'million)	Use of net proceeds
12 June 2007	Top-up placing of Shares and subscription of new Shares under the Existing General Mandate	0.20	106	For general working capital of the Group. As at the Latest Practicable Date, the Company had not identified any particular project to invest in and no part of the proceeds has been utilized.

### INFORMATION ON THE COMPANY

The Company is principally engaged in the provision and operation of an internet-based precious metals trading platform, namely the TRASY System.



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## LETTER FROM THE BOARD

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For the two financial years ended 31 December 2005 and 2006, the Group recorded loss both before and after taxation of approximately HK\$8.86 million and HK\$3.60 million respectively, whereas the audited consolidated net assets of the Group were approximately HK\$52.18 million and HK\$48.58 million respectively at the end of the two respective financial years.

### INFORMATION ON ITC

ITC is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. The principal activities of ITC comprise investment holding, the provision of finance, the provision of management services, properties investment, treasury investment, and trading of building materials and machinery. ITC intends to fund the Subscription by its internal resources.

### REFRESHMENT OF THE EXISTING GENERAL MANDATE TO ISSUE NEW SHARES

At the EGM, the Directors will seek the approval of the Shareholders to refresh the Existing General Mandate in favour of the Directors to exercise the power of the Company to allot, issue and deal in the Shares up to a maximum of 20% of the issued share capital of the Company as at the date of passing of the relevant resolution approving the refreshment of the Existing General Mandate.

On the basis of a total of 3,329,380,000 Shares in issue as at the Latest Practicable Date and assuming that no other Shares will be issued or repurchased whatsoever between the Latest Practicable Date and the EGM, the refreshment of the Existing General Mandate (if granted) will empower the Directors to allot, issue and deal in up to a maximum of 665,876,000 new Shares.

### Reasons for and benefits of refreshment of the Existing General Mandate

At the 2007 AGM, the Shareholders approved, among other things, to grant to the Directors the Existing General Mandate under which the Directors are authorized to allot up to 555,800,000 Shares, which is equivalent to the then 20% issued share capital of the Company.

As announced by the Company on 13 June 2007, the Company entered into a placing and subscription agreement pursuant to which 550,000,000 Shares had been placed under the Existing General Mandate. After completion of the placing, only 5,800,000 Shares are available for issue under the Existing General Mandate.

The refreshment of the Existing General Mandate will empower the Directors to issue new Shares under the refreshed limit speedily as and when necessary, and without seeking further approval from the Shareholders. This could give the Company the flexibility and ability to capture any capital raising or investment or business opportunity as and when it arises. Such ability is crucial in a competitive and rapidly changing capital market and investment environment. For these reasons, the Directors (including independent non-executive Directors, whose opinion is subject to the advice of the Independent Financial Adviser) believe that it is in the interests and for the benefit of the Company and the Shareholders as a whole if the Existing General Mandate is refreshed.

Save for the Share Placing, the Share Subscription and the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attaching to the Convertible Notes, the Directors have no intention or plan for raising capital by issuing of new Shares as at the Latest Practicable Date. In the event that there is any such issue, the Company will comply with the applicable requirements of the GEM Listing Rules.

### IMPLICATIONS UNDER THE LISTING RULES

Since ITC is a controlling Shareholder, it is a connected person of the Company for the purpose of the GEM Listing Rules. As at the date of the Share Subscription Agreement, ITC was beneficially interested in 1,284,451,139 Shares, representing approximately 38.58% of the then issued share capital of the Company. Accordingly, the Share Subscription and the CN Subscription both constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

By reason of that (i) completion of the Share Subscription Agreement will not take place if none of the Placing Shares is successfully placed out by the Placing Agent; and (ii) the amount of the CN Subscription may increase if any of the Placing Notes is not successfully placed by the Placing Agent, ITC is deemed to be interested in the Share Placing Agreement and the CN Placing Agreement different from other Independent Shareholders. In compliance with the GEM Listing Rules and having regard to the inter-conditional requirement of the Share Placing and the Share Subscription, as well as the CN Placing and the CN Subscription, the Share Placing, the CN Placing, the Share Subscription and the CN Subscription (including the Additional Amount) are subject to the Independent Shareholders' approval at the EGM by way of poll. ITC and its associates will abstain from voting at the EGM in respect of the proposed relevant resolutions approving the Share Placing, the CN Placing, the Share Subscription and the CN Subscription (including the Additional Amount).

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## LETTER FROM THE BOARD

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Under Chapter 17 of the GEM Listing Rules, the refreshment of the Existing General Mandate requires approval of the Independent Shareholders at the EGM, at which ITC and its associates, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates are required to abstain from voting in favour of the proposed resolution approving such refreshment and any vote of the Independent Shareholders will be taken by poll. Accordingly, Mr. Francis J. Chang Chu Fai, Mr. Leung Man Pok, John, and Ms. Cheung Wing Chi, Winnie, all being the Directors, will abstain from voting on the proposed resolution approving the refreshment of the Existing General Mandate at the EGM. However, to the best of the knowledge of the Directors, having made all reasonable enquiries, none of the Directors (including the independent non-executive Directors) and their respective associates were interested in any Shares (save for their respective interests in the share options under the share option scheme of the Company as set out in the section headed "Disclosure of interests" in the appendix to this circular) as at the Latest Practicable Date.

The Company shall promptly notify the GEM if and when it becomes aware of any dealings in the Convertible Notes by its connected person.

### EXTRAORDINARY GENERAL MEETING

Approval from the Shareholders will be sought at the EGM in respect of, among other things, (i) the Share Placing Agreement and the allotment and issue of the Placing Shares; (ii) the CN Placing Agreement and the allotment and issue of the Placing Notes; (iii) the Share Subscription Agreement and the allotment and issue of the Subscription Shares; (iv) the CN Subscription Agreement and the allotment and issue of the Subscription Notes; (v) the allotment and issue of the Conversion Shares upon exercise of conversion rights under the Convertible Notes; and (vi) the refreshment of the Existing General Mandate.

The Share Placing, the CN Placing, the Share Subscription and the CN Subscription (including the Additional Amount) will be voted on by the Independent Shareholders by way of poll. The refreshment of the Existing General Mandate will also be voted on by the Independent Shareholders (in respect of which the Directors and their associates will also abstain from voting) by way of poll.

A notice convening the EGM to be held at 10:00 a.m. on Wednesday, 8 August 2007 at Bridges Executive Centre, 20/F., Central Tower, 28 Queen's Road Central, Hong Kong, is set out on pages 41 to 43 of this circular. A form of proxy for the EGM is enclosed with this circular. If you are not able to attend the EGM in person, please complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting (as the case may be) should you so wish.

### PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

Pursuant to Article 66 of the Articles, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the GEM Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such 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 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 representing not less than one-tenth of the total voting rights of all 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 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 Shares conferring that right; or
- (e) if required by the rules of the designated stock exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent (5%) or more of the total voting rights at such meeting.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on page 17 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Share Placing Agreement, the Share Subscription Agreement, the CN Placing Agreement, the CN Subscription Agreement and the proposed refreshment of the Existing General Mandate. Your attention is also drawn to the letter of advice from the Independent Financial Adviser as set out on pages 18 to 36 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the above.

The Directors consider that the Placing, the Subscription, and the proposed refreshment of the Existing General Mandate are all in the interests of the Group and the Independent Shareholders as a whole and so they recommend all Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM approving the same.

### GENERAL

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

Yours faithfully,  
For and on behalf of the Board of  
**TRASY GOLD EX LIMITED**  
**Francis J. Chang Chu Fai**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular:*



### TRASY GOLD EX LIMITED

卓施金網有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8063)

23 July 2007

*To the Independent Shareholders*

Dear Sir or Madam,

- (i) PLACING OF NEW SHARES;
- (ii) PLACING OF CONVERTIBLE NOTES;
- (iii) CONNECTED TRANSACTIONS IN RELATION TO ISSUE OF NEW SHARES AND CONVERTIBLE NOTES TO ITC CORPORATION LIMITED;
- (iv) PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES; AND
- (v) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated 23 July 2007 (the "Circular"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the independent board committee to advise you on the terms of the Share Placing Agreement, the Share Subscription Agreement, the CN Placing Agreement, the CN Subscription Agreement and the refreshment of the Existing General Mandate. First Shanghai has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 18 to 36 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Share Placing Agreement, the Share Subscription Agreement, the CN Placing Agreement, the CN Subscription Agreement and the refreshment of the Existing General Mandate, and the independent advice of First Shanghai, in particular the principal factors, reasons and recommendation as set out in their letter on pages 18 to 36 of the Circular, we consider that the terms of the Share Placing Agreement, the Share Subscription Agreement, the CN Placing Agreement, the CN Subscription Agreement and the refreshment of the Existing General Mandate are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned, and are in the interests of the Group and the Independent Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Share Placing Agreement, the Share Subscription Agreement, the CN Placing Agreement, the CN Subscription Agreement and the refreshment of the Existing General Mandate.

Yours faithfully,  
**Independent Board Committee**

**CHUNG Koon Yan**  
*Independent  
non-executive Director*

**WONG Kai Tat**  
*Independent  
non-executive Director*

**YUE Wai Keung**  
*Independent  
non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser dated 23 July 2007 to the Independent Board Committee and the Independent Shareholders setting out their opinion regarding the Share Placing, the CN Placing, the Share Subscription, the CN Subscription and the refreshment of the Existing General Mandate for the purpose of inclusion in this circular.*



### FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

23 July 2007

*To the Independent Board Committee and  
the Independent Shareholders*

Trasy Gold Ex Limited  
Rooms 301-302, 3rd Floor  
United Chinese Bank Building  
Nos. 31-37 Des Voeux Road Central  
Hong Kong

Dear Sirs,

- (i) PLACING OF NEW SHARES;**
- (ii) PLACING OF CONVERTIBLE NOTES;**
- (iii) CONNECTED TRANSACTIONS IN RELATION TO ISSUE OF NEW SHARES AND  
CONVERTIBLE NOTES TO ITC CORPORATION LIMITED; AND**
- (iv) PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE TO ALLOT AND  
ISSUE NEW SHARES**

#### INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Placing, the CN Placing, the Share Subscription, the CN Subscription pursuant to the Share Placing Agreement, the CN Placing Agreement, the Share Subscription Agreement and the CN Subscription Agreement respectively and the refreshment of the Existing General Mandate, details of which are set out in a circular dated 23 July 2007 (the "Circular") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Since ITC is a controlling Shareholder, it is a connected person of the Company for the purpose of the GEM Listing Rules. As at the Latest Practicable Date, ITC was beneficially interested in 1,227,451,139 Shares, representing approximately 36.87% of the issued share capital of the Company. Accordingly, both the Share Subscription and the CN Subscription constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

By reason of that (i) completion of the Share Subscription Agreement will not take place if none of the Placing Shares is successfully placed out by the Placing Agent; and (ii) the amount of the CN Subscription may increase if any of the Placing Notes is not successfully placed by the Placing Agent, ITC is deemed to be interested in the Share Placing Agreement and the CN Placing Agreement different from other Independent Shareholders. In compliance with the GEM Listing Rules and having regard to the inter-conditional requirement of the Share Placing and the Share Subscription, as well as the CN Placing and the CN Subscription, the Share Placing, the CN Placing, the Share Subscription and the CN Subscription (including the Additional Amount) are subject to the Independent Shareholders' approval at the EGM by way of poll. ITC and its associates will abstain from voting at the EGM in respect of the proposed relevant resolutions approving the Share Placing, the CN Placing, the Share Subscription and the CN Subscription (including the Additional Amount).

Under Chapter 17 of the GEM Listing Rules, the refreshment of the Existing General Mandate also requires approval of the Independent Shareholders at the EGM, at which ITC and its associates, the Directors

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(excluding independent non-executive Directors) and the chief executive of the Company and their respective associates are required to abstain from voting in favour of the proposed resolution approving such refreshment and any vote of the Independent Shareholders will be taken by poll. Accordingly, Mr. Francis J. Chang Chu Fai, Mr. Leung Man Pok, John, and Ms. Cheung Wing Chi, Winnie, all being the Directors, will abstain from voting on the proposed resolution approving the refreshment of the Existing General Mandate at the EGM. However, to the best of the knowledge of the Directors, having made all reasonable enquiries, none of the Directors (including the independent non-executive Directors) and their respective associates was interested in any Shares (save for their respective interests in the share options under the share option scheme of the Company) as at the Latest Practicable Date.

The Independent Board Committee, comprising all the three independent non-executive Directors, has been established to consider the transactions contemplated under the Share Placing, the CN Placing, the Share Subscription, the CN Subscription (including the Additional Amount) and the refreshment of the Existing General Mandate and to advise the Independent Shareholders on the fairness and reasonableness of these transactions. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions are conducted on normal commercial terms; (ii) whether the entering into of the Share Placing, the CN Placing, the Share Subscription, the CN Subscription (including the Additional Amount) and the refreshment of the Existing General Mandate are in the interests of the Company and the Shareholders as a whole; (iii) whether the terms of the Share Placing, the CN Placing, the Share Subscription, the CN Subscription (including the Additional Amount) and the refreshment of the Existing General Mandate are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the proposed resolutions to approve the Share Placing, the CN Placing, the Share Subscription, the CN Subscription (including the Additional Amount) and the refreshment of the Existing General Mandate and the transactions contemplated thereunder at the EGM.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management. We have assumed that all statements, information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular.

We consider that we (i) have obtained all information and documents of the Group relevant to an assessment of the fairness and reasonableness of the terms of the Share Placing, the CN Placing, the Share Subscription, the CN Subscription (including the Additional Amount) and the refreshment of the Existing General Mandate; (ii) have researched the relevant market and other conditions and trends relevant to the pricing of the Share Placing, the CN Placing, the Share Subscription, the CN Subscription (including the Additional Amount) and the refreshment of the Existing General Mandate; and (iii) have reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the Share Placing, the CN Placing, the Share Subscription, the CN Subscription (including the Additional Amount) and the refreshment of the Existing General Mandate. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Share Placing, the CN Placing, the Share Subscription, the CN Subscription (including the Additional Amount) and the refreshment of the Existing General Mandate, referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors, the Company and its management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed and we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, or the reasonableness of the opinions and representations provided to us by the Group. All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions and have not however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the terms of the Share Placing, the CN Placing, the Share Subscription, the CN Subscription (including the Additional Amount) pursuant to the Share Placing Agreement, the CN Placing Agreement, the Share Subscription Agreement and the CN Subscription Agreement respectively and the refreshment of the Existing General Mandate, we have considered the following principal factors and reasons:

### BACKGROUND OF THE GROUP

The Company is principally engaged in the provision and operation of an Internet-based precious metals trading platform, namely the TRASY System.

For the two financial years ended 31 December 2005 and 2006, the Group recorded loss both before and after taxation of approximately HK\$8.86 million and HK\$3.60 million respectively, whereas the audited consolidated net assets of the Group was approximately HK\$52.18 million and HK\$48.58 million respectively at the end of the two respective financial years.

Trading in the Shares on the GEM had been suspended for a long period from 10 June 2003 to 24 May 2007 (the "Suspension Period").

### THE SHARE PLACING AGREEMENT

On 28 June 2007, the Company and the Placing Agent entered into the Share Placing Agreement pursuant to which, among other things, the Placing Agent conditionally agreed to place, on best efforts basis, a maximum of 392,000,000 Placing Shares to not less than six Placees who will be Independent Third Parties and not parties acting in concert with ITC or Dr. Chan for the purposes of the Takeovers Code. None of the Placees together with its concert parties will be interested in 30% or more of the voting rights of the Company as a result of the Share Placing and the Share Subscription.

### Placing Shares

The 392,000,000 Placing Shares represent:

- (i) approximately 11.77% of the issued share capital of the Company as at the Latest Practicable Date;
- (ii) approximately 10.53% of the issued share capital of the Company as enlarged by the Share Placing; and
- (iii) approximately 9.65% of the issued share capital of the Company as enlarged by the Share Placing and the Share Subscription.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Placing Price

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Share Placing are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The Placing Price of HK\$0.205 per Placing Share represents:

	<b>Price/value per Share approximately HK\$</b>	<b>Premium/ (discount) approximately %</b>
(i) Closing price as quoted on the GEM on 28 June 2007, being the last trading day immediately before trading in the Shares was suspended prior to the issue of the Announcement (the "Last Trading Day")	0.248	(17.34)
(ii) Average closing price per Share as quoted on the GEM for the last 5 trading days up to and including the Last Trading Day	0.243	(15.64)
(iii) Average closing price per Share as quoted on the GEM for the last 10 trading days up to and including the Last Trading Day	0.240	(14.58)
(iv) Average closing price per Share as quoted on the GEM for the last 20 consecutive trading days up to and including the Last Trading Day	0.222	(7.66)
(v) Closing price quoted on the GEM as at the Latest Practicable Date	0.420	(51.19)
(vi) The audited consolidated net asset value of the Group per Share as at 31 December 2006	0.0175	1,071.43

As shown above, the Placing Price is at discounts to the above references of price of the Shares prior to the issue of the Announcement and is at a significant premium over the consolidated net asset value of the Group per Share as at 31 December 2006. Prices of the Shares have generally been in a rising trend since 25 May 2007, being the first day after the Suspension Period; whereas the average daily closing price per Share had risen from approximately HK\$0.219 in May 2007 to approximately HK\$0.397 in July 2007. Set out below is the average monthly closing prices of the Shares from 25 May 2007 to the Latest Practicable Date:

(1) Share price performance

	<b>Month/period end closing price HK\$</b>	<b>Average daily closing price HK\$</b>
<b>2007</b>		
May (from 25 to 31 May 2007)	0.231	0.219
June (from 1 to 28 June 2007)	0.248	0.222
July (from 6 July to the Latest Practicable Date)	0.420	0.397

*Source: Bloomberg*

Based on the above, the Placing Price is at discounts to month/period end closing prices and average daily closing prices, but represents a significant premium over the consolidated net asset value of the Group per Share as listed above.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (2) Comparables

In order to assess the fairness and reasonableness of the terms of the Share Placing, we consider that it would be more appropriate to look into the placement of shares by companies listed on the GEM which were announced since 1 January 2007 until immediately before the date of the Announcement (i.e. 5 July 2007). Therefore, we have compared the terms of the Share Placing (i.e. in terms of the Placing Price) with the last 60 share placements by those companies, including the Company itself, listed on the GEM prior to 5 July 2007 (the “Share Placing Comparables”) as follows:

Date of announcement	Company (Stock code)	Placing price HK\$	Last trading day before announcement/ suspension	Premium/(discount) of placing price over closing price		5-day average	
				Last closing price before announcement/ suspension HK\$	Last closing price before announcement/ suspension %	HK\$	%
15/1/2007	Neolink Cyber Technology (Holding) Limited (8116)	0.1230	12/1/2007	0.130	(5.38)	0.128	(4.06)
19/1/2007	China Medical Science Limited (8120)	0.1480	16/1/2007	0.156	(5.13)	0.172	(13.95)
22/1/2007	FX Creations International Holdings Limited (8136)	0.0100	12/1/2007	0.080	(87.50)	0.082	(87.75)
22/1/2007	Sys Solutions Holdings Limited (8182)	0.4000	19/1/2007	0.450	(11.11)	0.287	39.37
1/2/2007	FAVA International Holdings Limited (8108)	1.0800	31/1/2007	1.200	(10.00)	1.160	(6.90)
12/2/2007	Xteam Software International Limited (8178)	0.0980	8/2/2007	0.120	(18.33)	0.112	(12.19)
12/2/2007	Century Sunshine Ecological Technology Holdings Limited (8276)	1.8800	9/2/2007	2.020	(6.93)	1.982	(5.15)
22/2/2007	B M Intelligence International Limited (8158)	0.2180	21/2/2007	0.260	(16.15)	0.244	(10.73)
26/2/2007	Cardlink Technology Group Limited (8066)	0.1000	26/2/2007	0.099	1.01	0.099	1.01
1/3/2007	B. A. L. Holdings Limited (8079)	0.3300	28/2/2007	0.410	(19.51)	0.351	(5.98)
1/3/2007	Zhongyu Gas Holdings Limited (8070)	0.4200	28/2/2007	0.510	(17.65)	0.506	(17.00)
1/3/2007	Neolink Cyber Technology (Holding) Limited (8116)	0.3150	26/2/2007	0.360	(12.50)	0.316	(0.32)
6/3/2007	Inno-Tech Holdings Limited (8202)	0.1680	5/3/2007	0.206	(18.45)	0.192	(12.50)
16/3/2007	Global Digital Creations Holdings Limited (8271)	0.5400	15/3/2007	0.640	(15.63)	0.674	(19.88)
20/3/2007	Hua Xia Healthcare Holdings Limited (8143)	0.3520	13/3/2007	0.425	(17.18)	0.439	(19.82)
22/3/2007	Proactive Technology Holdings Limited (8089)	7.1100	12/3/2007	6.750	5.33	5.800	22.59
23/3/2007	China Medical Science Limited (8120)	0.6600	21/3/2007	0.710	(7.04)	0.680	(2.94)
30/3/2007	EMER International Group Limited (8149)	1.8800	29/3/2007	1.970	(4.57)	1.950	(3.59)
11/4/2007	Sau San Tong Holdings Limited (8200)	0.1600	10/4/2007	0.187	(14.44)	0.185	(13.51)
11/4/2007	Global Link Communications Holdings Limited (8060)	0.1060	11/4/2007	0.132	(19.70)	0.114	(7.02)
12/4/2007	International Financial Network Holdings Limited (8123)	0.0860	10/4/2007	0.107	(19.63)	0.091	(5.08)
13/4/2007	Union Bridge Holdings Limited (8047)	0.4700	12/4/2007	0.560	(16.07)	0.519	(9.44)
16/4/2007	Glory Future Group Limited (8071)	0.4900	12/4/2007	0.610	(19.67)	0.520	(5.77)
19/4/2007	Shandong Weigao Group Medical Polymer Company Limited (8199)	13.6200	18/4/2007	14.340	(5.02)	14.080	(3.27)
19/4/2007	Chinasoft International Limited (8216)	1.7000	18/4/2007	1.800	(5.56)	1.846	(7.91)
20/4/2007	Intelli-Media Group (Holdings) Limited (8173)	0.2680	18/4/2007	0.290	(7.59)	0.332	(19.28)
25/4/2007	Xteam Software International Limited (8178)	0.3150	23/4/2007	0.370	(14.86)	0.378	(16.67)
2/5/2007	Global Digital Creations Holdings Limited (8271)	1.6100	27/4/2007	2.000	(19.50)	1.792	(10.16)
3/5/2007	Town Health International Holdings Company Limited (8138)	0.5412	27/4/2007	0.660	(18.00)	0.642	(15.70)
8/5/2007	Town Health International Holdings Company Limited (8138)	0.6100	7/5/2007	0.850	(28.24)	0.726	(15.98)
11/5/2007	Inno-Tech Holdings Limited (8202)	1.1000	11/5/2007	1.160	(5.17)	1.140	(3.51)
14/5/2007	IIN International Limited (8128)	0.0950	14/5/2007	0.117	(18.80)	0.117	(18.66)
14/5/2007	Sys Solutions Holdings Limited (8182)	0.8000	9/5/2007	0.990	(19.19)	0.904	(11.50)
16/5/2007	Intelli-Media Group (Holdings) Limited (8173)	0.2990	11/5/2007	0.360	(16.94)	0.341	(12.32)
16/5/2007	DeTeam Company Limited (8112)	1.5000	14/5/2007	1.800	(16.67)	1.670	(10.18)
17/5/2007	Hua Xia Healthcare Holdings Limited (8143)	0.5800	14/5/2007	0.620	(6.45)	0.612	(5.23)

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Date of announcement	Company (Stock code)	Placing price HK\$	Last trading day before announcement/ suspension	Premium/(discount) of placing price over closing price		5-day average	
				Last closing price before announcement/ suspension HK\$	Last closing price before announcement/ suspension %	HK\$	%
22/5/2007	WLS Holdings Limited (8021)	0.2000	22/5/2007	0.221	(9.50)	0.222	(9.83)
23/5/2007	Tong Ren Tang Technologies Co. Ltd. (8069)	18.3800	23/5/2007	20.150	(8.78)	21.030	(12.60)
28/5/2007	MP Logistics International Holdings Limited (8239)	0.3110	23/5/2007	0.385	(19.22)	0.386	(19.43)
28/5/2007	Zhongyu Gas Holdings Limited (8070)	1.1650	23/5/2007	1.280	(8.98)	1.2200	(4.51)
30/5/2007	AGTech Holdings Limited (8279)	1.7700	29/5/2007	1.970	(10.15)	2.008	(11.85)
4/6/2007	EPRO Limited (8086)	0.1600	31/5/2007	0.400	(60.00)	0.416	(61.54)
4/6/2007	Proactive Technology Holdings Limited (8089)	13.0000	31/5/2007	12.900	0.77	12.460	4.33
4/6/2007	Prosticks International Holdings Limited (8055)	0.3550	22/5/2007	0.440	(19.32)	0.436	(18.58)
5/6/2007	Golife Concepts Holdings Limited (8172)	0.1650	30/5/2007	0.191	(13.61)	0.173	(4.62)
6/6/2007	IIN International Limited (8128)	0.1200	5/6/2007	0.234	(48.72)	0.248	(51.69)
6/6/2007	Jian ePayment Systems Limited (8165)	0.1000	5/6/2007	1.200	(91.67)	1.200	(91.67)
7/6/2007	Xteam Software International Limited (8178)	0.6200	7/6/2007	0.750	(17.33)	0.840	(26.19)
8/6/2007	WLS Holdings Limited (8021)	0.2380	7/6/2007	0.260	(8.46)	0.278	(14.39)
12/6/2007	Core Healthcare Investment Holdings Limited (8250)	0.1700	11/6/2007	0.211	(19.43)	0.201	(15.42)
13/6/2007	Proactive Technology Holdings Limited (8089)	14.0000	12/6/2007	15.280	(8.38)	14.410	(2.85)
13/6/2007	China Photar Electronics Group Limited (8220)	0.0170	1/6/2007	0.295	(94.24)	0.311	(94.53)
13/6/2007	Neolink Cyber Technology (Holding) Limited (8116)	0.9100	12/6/2007	1.020	(10.78)	0.900	1.11
13/6/2007	Trasy Gold Ex Limited (8063)	0.2000	12/6/2007	0.246	(18.70)	(0.207)	(3.19)
18/6/2007	China Leason Investment Group Co., Ltd. (8270)	0.7700	15/6/2007	1.060	(27.36)	1.004	(23.31)
29/6/2007	Big Media Group Limited (8167)	0.2420	25/6/2007	0.280	(13.57)	0.302	(19.87)
4/7/2007	China Chief Cable TV Group Limited (8153)	1.1400	3/7/2007	1.350	(15.56)	1.420	(19.72)
4/7/2007	Global Digital Creations Holdings Limited (8271)	2.7000	29/6/2007	2.900	(6.90)	2.800	(3.57)
4/7/2007	Yantai North Andre Juice Co., Ltd. (8259)	1.1800	3/7/2007	1.350	(12.59)	1.156	2.08
5/7/2007	Trasy Gold Ex Limited (8063)	0.2050	5/7/2007	0.248	(17.34)	0.243	(15.64)
<b>Average</b>						(18.30)	(14.47)
<b>Median</b>						(15.59)	(11.12)
<b>Highest</b>						5.33	39.37
<b>Lowest</b>						(94.24)	(94.53)

*Source: the Stock Exchange*

Based on the above table, the premium/(discounts) represented by the placing prices of the Share Placing Comparables over/(to) their respective closing prices (i) on the last trading day before signing of the relevant agreements range from a discount of approximately 94.24% to a premium of approximately 5.33%. Upon comparison, we note that the relevant discount of the Company represented by the Placing Price per Placing Share over the closing price of HK\$0.248 per Share on the Last Trading Day of approximately 17.34% falls within the range of the Share Placing Comparables and lies slightly above the median of approximately 15.59%, but is very close to the average of approximately 18.30% of the Share Placing Comparables.

As mentioned in the “Letter from the Board” of the Circular, the maximum gross proceeds from the Share Placing will be approximately HK\$80,360,000. The net Placing Price per Placing Share will be approximately HK\$0.20 after taking into account the estimated expenses to be incurred in the Share Placing.

### Conditions and completion of the Share Placing

The Share Placing and the Share Subscription are inter-conditional with each other. Completion of the Share Placing will not take place if completion of the Share Subscription does not occur, and vice versa.

Completion of the Share Placing shall take place on or before the third Business Day after the Share Placing Agreement becomes unconditional (or such later date as the Company and the Placing Agent shall agree) and simultaneously with the completion of the Share Subscription.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above analysis and from the perspective of assessment of the Placing Price with respect to the (i) historical performance of the Shares for the past several tens of days since 25 May 2007 after the Suspension Period; (ii) the Share Placing Comparables; and (iii) the discount of approximately 17.34% to the closing price of the Shares on the Last Trading Day is justifiable since the Placees are required to wait for the Independent Shareholders' approval at the EGM and fulfillment of the other conditions thereunder, we are of the view that the Share Placing is in the interests of the Company and the Shareholders as a whole, and the terms of the Share Placing, in particular the Placing Price, are fair and reasonable so far as the Company, the Shareholders and the Independent Shareholders are concerned.

### THE SHARE SUBSCRIPTION AGREEMENT

On 28 June 2007, the Company and ITC entered into the Share Subscription Agreement pursuant to which, among other things, ITC conditionally agreed to subscribe and/or procure its nominee(s) to subscribe for the Subscription Shares, subject to the condition that the number of Subscription Shares actually subscribed by ITC and/or its nominee(s), together with the Shares held by ITC and parties acting in concert with it on the date of Completion shall be 38.58% of the total issued share capital of the Company as enlarged by the Share Subscription and the Share Placing and ITC shall be entitled to subscribe and/or procure its nominee(s) to subscribe for such number of Subscription Shares which together with the Shares held by ITC and parties acting in concert with it on the date of Completion not exceed 40% of the total issued share capital of the Company as enlarged by the Share Subscription and the Share Placing. As at the date of the Share Subscription Agreement, ITC was beneficially interested in approximately 38.58% of the then issued share capital of the Company. The Share Subscription constitutes a connected transaction for the Company and is subject to approval of the Independent Shareholders.

#### Subscription Shares

On the basis that 392,000,000 Placing Shares are successfully placed by the Placing Agent, the maximum number of Subscription Shares that can be subscribed by ITC will be 340,000,000 Subscription Shares, which represent:

- (i) approximately 10.21% of the issued share capital of the Company as at the Latest Practicable Date;
- (ii) approximately 9.27% of the issued share capital of the Company as enlarged by the Share Subscription; and
- (iii) approximately 8.37% of the issued share capital of the Company as enlarged by the Share Placing and the Share Subscription.

The aggregate maximum number of new Shares to be issued under the Share Placing Agreement and the Share Subscription Agreement is 732,000,000 Shares, which represent:

- (i) approximately 21.99% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 18.02% of the issued share capital of the Company as enlarged by the Share Placing and the Share Subscription.

On the basis that the aggregate maximum number of 732,000,000 new Shares are to be issued, the maximum gross proceeds for the Share Placing and the Share Subscription will be HK\$150,060,000.

#### Subscription Price

The Subscription Price is HK\$0.205 per Subscription Share, which is equal to the Placing Price. The maximum gross proceeds from the Share Subscription will be HK\$69,700,000.

#### Conditions and completion of the Share Subscription

The Share Placing and the Share Subscription are inter-conditional with each other. Completion of the Share Placing will not take place if completion of the Share Subscription does not occur, and vice versa.

Completion of the Share Subscription shall take place on or before the third Business Day after the Share Subscription Agreement becomes unconditional (or such other date as ITC and the Company may agree), and simultaneously with the completion of the Share Placing.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above analysis and from the perspective of assessment of the Subscription Price with respect to (i) the Subscription Price is exactly the same as the Placing Price; (ii) historical performance of the Shares for the past several tens of days since 25 May 2007 after the Suspension Period; (iii) the Share Placing Comparables; and (iv) the discount of approximately 17.34% to the closing price of the Shares on the Last Trading Day is justifiable since the subscribers under the Share Subscription are required to wait for the Independent Shareholders' approval at the EGM and fulfillment of the other conditions thereunder, we are of the view that the Share Subscription is also in the interests of the Company and the Shareholders as a whole, and the terms of the Share Subscription are fair and reasonable so far as the Company, the Shareholders and the Independent Shareholders are concerned.

### THE CN PLACING AGREEMENT

On 29 June 2007, the Company and the Placing Agent also entered into the CN Placing Agreement pursuant to which, among other things, the Placing Agent conditionally agreed to place, on best efforts basis, up to a maximum principal amount of HK\$100,000,000 Placing Notes which are convertible into 416,666,666 Conversion Shares at an Initial Conversion Price of HK\$0.240 per Conversion Share (subject to adjustments), to not less than six Placees who will be Independent Third Parties and not parties acting in concert with ITC or Dr. Chan for the purpose of the Takeovers Code. None of the Placees together with its concert parties will be interested in 30% or more of the voting rights of the Company as a result of the CN Placing and the CN Subscription.

#### Principal terms of the Placing Notes

(a) *Initial Conversion Price*

The Initial Conversion Price of HK\$0.240 was determined on an arm's length basis between the Company and the Placing Agent respectively with reference to, among other things, the recent performance of the price of the Shares.

The Initial Conversion Price is subject to anti-dilutive adjustments, including consolidation or subdivision of the Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events, which may or may not occur. The Initial Conversion Price of HK\$0.240 per Conversion Share represents:

	<b>Price/value per Share approximately HK\$</b>	<b>Premium/ (discount) approximately %</b>
(i) Closing price as quoted on the GEM on the Last Trading Day	0.248	(3.23)
(ii) Average closing price per Share as quoted on the GEM for the last 5 trading days up to and including the Last Trading Day	0.243	(1.23)
(iii) Average closing price per Share as quoted on the GEM for the last 10 trading days up to and including the Last Trading Day	0.240	–
(iv) Average closing price per Share as quoted on the GEM for the last 20 consecutive trading days up to and including the Last Trading Day	0.222	8.11
(v) Closing price quoted on the GEM as at the Latest Practicable Date	0.420	(42.86)
(vi) The audited consolidated net asset value of the Group per Share as at 31 December 2006	0.0175	1,271.43

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(1) Share price performance

Set out below is the average monthly closing prices of the Shares for the period from 25 May 2007 to the Latest Practicable Date:

	<b>Month/period end closing price</b> <i>HK\$</i>	<b>Average daily closing price</b> <i>HK\$</i>
<b>2007</b>		
May (from 25 to 31 May 2007)	0.231	0.219
June (from 1 to 28 June 2007)	0.248	0.222
July (from 6 July to the Latest Practicable Date)	0.420	0.397

*Source: Bloomberg*

As indicated in the above table, the closing prices of the Shares had generally been rising since 25 May 2007 after the Suspension Period and up to the Latest Practicable Date and within the range of HK\$0.231 to HK\$0.420. The closing price of the Shares hit a high of HK\$0.445 on 16 July 2007 and a low of HK\$0.147 on 25 May 2007, being the first trading day immediately after the Suspension Period. We further noted that the daily closing prices of the Shares were at all the times traded above the Initial Conversion Price during the period after the date of the Announcement and up to the Latest Practicable Date. As at the Latest Practicable Date, the Shares closed at a price of HK\$0.420 per Share, which is approximately 69.35% premium over that on the Last Trading Day.

Based on the above analysis, we note that the Initial Conversion Price represents (i) a premium of approximately 8.11% over the average closing price per Share as quoted on the GEM for the last 20 consecutive trading days up to the Last Trading Day; and (ii) generally represents discounts to the Share prices under the other various comparison prior to the date of the Announcement, but a significant premium over the consolidated net asset value per Share of the Group per Share as at 31 December 2006.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (2) Comparables

In order to assess the fairness and reasonableness of the terms of the Placing Notes, we consider that it would be more appropriate to look into the issue of convertible notes by companies listed on the GEM which were announced since 1 January 2007 to the date of the Announcement (i.e. 5 July 2007). Therefore, we have compared the terms of the Placing Notes with the last 10 issues of similar instruments by those companies listed on the GEM prior to 5 July 2007 (the “CN Placing Comparables”) as follows:

Date of announcement	Company (Stock code)	Principal HK\$ million	Interest %	Con- version/ exercise Maturity Years	Re- demption price at the Last price maturity	Closing price at the Last maturity %	Premium/(discount) of offer price over closing price or average closing price prior to the relevant announcements					
							Trading Day		5-day average		10-day average	
							HK\$	%	HK\$	%	HK\$	%
9/1/2007	China Primary Resources Holdings Limited (8117)	230.00	0.0	5	0.34000	100.0	0.355	(4.23)	0.330	3.03	0.3290	3.34
26/1/2007	Kanstar Environmental Paper Products Holdings Limited (8011)	287.12	3.0	3	0.43000	100.0	0.445	(3.37)	0.359	19.78	0.3465	24.10
30/3/2007	EVI Education Asia Limited (8090)	540.00	1.0	5	0.10000	N/A	0.214	(53.27)	0.146	(31.51)	0.1360	(26.47)
18/4/2007	Maxitech International Holdings Limited (8136)	456.00	1.0	5	0.60000	100.0	0.540	11.11	0.538	11.52	0.5095	17.76
28/5/2007	Zhongyu Gas Holdings Limited (8070)	312.00	1.0	5	1.45600	125.0	1.280	13.75	1.2200	19.34	1.2200	19.34
5/6/2007	Xteam Software International Limited (8178) (1st tranche)	83.59	0.0	3	0.19215	N/A	0.900	(78.65)	0.814	(76.39)	0.7340	(73.82)
5/6/2007	Xteam Software International Limited (8178) (2nd tranche)	116.66	0.0	3	0.19215	N/A	0.900	(78.65)	0.814	(76.39)	0.7320	(73.75)
29/6/2007	Big Media Group Limited (8167) (1st tranche)	100.00	4.0	3	0.29000	100.0	0.280	3.57	0.302	(3.97)	0.3530	(17.85)
29/6/2007	Big Media Group Limited (8167) (2nd tranche)	50.00	4.0	3	0.29000	100.0	0.280	3.57	0.302	(3.97)	0.3530	(17.85)
3/7/2007	Global Solution Engineering Limited (8192)	4.00	0.0	5	0.01000	100.0	0.770	(98.70)	0.572	(98.25)	0.5340	(98.13)
	<b>Average</b>		1.4	4		103.6		(28.49)		(23.68)		(24.33)
	<b>Median</b>		1.0	4		100.0		(3.80)		(3.97)		(17.85)
	<b>Highest</b>		4.0	5		125.0		13.75		19.78		24.10
	<b>Lowest</b>		0.0	3		100.0		(98.70)		(98.25)		(98.13)
	<b>The Company</b>	100.00	4.0	2	0.24000	100.0	0.240	0.00	0.243	(1.23)	0.2400	0.00

Source: the Stock Exchange

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*(b) Interest rate*

The Placing Notes carry an interest rate of 4.0% per annum, payable annually. Based on the Company's annual report for the year ended 31 December 2006 and the unaudited management accounts for the five months ended 31 May 2007, the Group did not have any interest-bearing borrowings, so we cannot make comparison between the Group's weighted average cost of borrowings and the interest rate attributable to the Placing Notes. However, the interest rate under the Placing Notes is below the average yield of the two-year Hong Kong Exchange Fund Notes which is 4.322% per annum as at the Latest Practicable Date; and (iii) within the range of the interest rate of the CN Placing Comparables from 0.0% to 4.0% as shown above. Given (i) trading of the Shares on the GEM had been suspended for almost four years from 10 June 2003 to 24 May 2007 and just been resumed since 25 May 2007; (ii) the relatively small net asset base of the Group; and (iii) the Group has continuously incurred net losses of approximately HK\$1.0 million, HK\$8.9 million and HK\$3.6 million during the three financial years ended 31 December 2006, we consider that a slightly higher interest rate of 4.0% per annum is still justifiable, because the Company has to offer a better rate of return to the placees of the Placing Notes.

*(c) Maturity date*

The date immediately before the second anniversary of the date of issue of the Convertible Notes, or, if that is not a Business Day, the first Business Day thereafter ("Original Maturity Date").

In the event of a Change of Control of the Company prior to the Original Maturity Date, the holder(s) of the Convertible Notes may by notice in writing to the Company require it to redeem (and whereupon the Company shall redeem) all (but not part only) of the outstanding principal amount of the Convertible Notes on the later of (a) the date on which the Change of Control occurs; and (b) the expiry of 20 Business Days from the notice from the holder(s) of the Convertible Notes referred to above. Under the terms of the Convertible Notes, "control" of the Company means holding or aggregate holdings of more than 50% of the voting rights of the Company.

We have noted that the Original Maturity Date of two years from the date of issue of the Convertible Notes under the CN Placing Agreement is shorter than the 3 to 5 years of the CN Placing Comparables; but still consider that such maturity period is not unusual for debt securities of similar kind and is in the same terms as the Subscription Notes.

*(d) Redemption*

Any outstanding and unconverted Convertible Notes will be redeemed at an amount equal to the principal amount of the outstanding Convertible Notes together with any accrued interest in cash at maturity date.

In the event of a Change of Control, the holder(s) of the Convertible Notes may require the Company to redeem all (but not part of) the outstanding and unconverted Convertible Notes at an amount which is 103% of the principal amount of the outstanding Convertible Notes together with any accrued interest in cash at maturity date.

The Company or any of its subsidiaries may prior to the maturity date purchase any Convertible Notes at a price which is up to 115.0% of the principal amount of the outstanding Convertible Notes, as may be agreed between the Company or such subsidiary and the relevant holders of the Convertible Notes provided that the Company shall at the same price offer to purchase from other holder(s) of the Convertible Notes a like percentage of the Convertible Notes. Any Convertible Notes purchased shall forthwith be cancelled by the Company.

The redemption premium at maturity of the Notes of 100.0% is basically comparable to the average of the CN Placing Comparables of approximately 103.6% and falls within that of the CN Placing Comparables which ranges between approximately 100.0% and 125.0%. We also noted that the CN Placing Comparables with lower or no redemption premium have higher interest rates and/or have conversion price with lower premium or even discount to then prevailing market price.



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(e) *Conversion period*

A holder of the Convertible Notes shall have the right at any time during the period commencing on and excluding the 7th day after the date of issue of the Convertible Notes up to and including the date which is 7 days prior to the Original Maturity Date to convert the whole or any part (at denominations of HK\$500,000 or integral multiples thereof) of the principal amount outstanding under the Convertible Note(s) into Conversion Shares.

We consider that the conversion period is normal for debt securities of similar kind and is in the same terms as the Subscription Notes.

(f) *Transferability, voting rights and ranking*

The Convertible Notes will be freely transferable but may not be transferred to a connected person of the Company without the prior written consent of the Company.

The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of it being the holders of the Convertible Notes.

The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Notes will, when issued, rank *pari passu* with all other Shares in issue as at the date of allotment and issue of such Conversion Shares.

We consider that the terms of the Placing Notes under the CN Placing Agreement in relation to the transferability, voting and ranking which are normal for debt securities of similar kind and are in the same terms as the Subscription Notes.

As indicated above, (i) the interest rate of 4.0% per annum payable under the Placing Notes falls into that of the CN Placing Comparables which ranges between 0.0% and 4.0%, but is equivalent to the highest within the range of the CN Placing Comparables; (ii) the discount of approximately 3.23% represented by the Initial Conversion Price of HK\$0.240 per Share over the closing price of HK\$0.248 per Share as quoted on the GEM on the Last Trading Day falls into that of the CN Placing Comparables which ranges between a discount of approximately 98.70% and a premium of approximately 24.10% of the respective shares; and (iii) the redemption premium at maturity of the Convertible Notes of 100.0% falls into that of the CN Placing Comparables which ranges between approximately 100.0% and 125.0%.

Even the most extreme case of a discount of approximately 98.70% attributable to the issue of convertible notes by Global Solution Engineering Limited is taken out from the CN Placing Comparables, the discount of approximately 3.23% represented by the Initial Conversion Price of HK\$0.240 per Share over the closing price of HK\$0.248 per Share as quoted on the GEM on the Last Trading Day still falls into that of other CN Placing Comparables which ranges between a discount of approximately 78.65% and a premium of approximately 24.10% of the respective shares; while other comparisons within the CN Placing Comparables remain unchanged.

### **Conversion Shares falling to be issued upon exercise in full of the conversion rights attaching to the Placing Notes**

Assuming that the maximum aggregate principal amount of the Placing Notes are placed by the Placing Agent, upon full conversion of the Placing Notes at the Initial Conversion Price (subject to adjustments), a total of 416,666,666 Conversion Shares will be issued, representing:

- (i) approximately 12.52% of the issued share capital of the Company as at the Latest Practicable Date;
- (ii) approximately 11.12% of the issued share capital of the Company as enlarged by the CN Placing; and
- (iii) approximately 10.54% of the issued share capital of the Company as enlarged by the CN Placing and the CN Subscription.

Based on the shareholding structure of the Company as set out in the "Letter from the Board" of the Circular, as at the Latest Practicable Date, 2,101,928,861 Shares were held by other public Shareholders (i.e. excluding the 1,227,451,139 Shares held by ITC as at the Latest Practicable Date), representing approximately 63.13% of the issued share capital of the Company. Upon completion of the Placing and the Subscription and its subsequent conversions into Conversion Shares, such corresponding shareholding will be diluted to approximately 44.85%. Accordingly, the shareholding dilution appears to be considerable. However, the



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Shareholders should note that dilution effect on earnings per Share and shareholding is inevitable for placement of new Shares and/or convertible notes, they would face a similar level of dilution if a placing as well as a rights issue or an open offer of the similar size of the Placing and the Subscription is proceeded instead of the issue of the Placing Shares, the Subscription Shares and the Convertible Notes and the Shareholders do not subscribe for the Shares in full (under the rights issue or the open offer). Having considered the anticipated enhancement and broadening of shareholders' and capital base of the Company, we consider that the dilution effects on the shareholdings are inevitable for placement of new Shares and/or convertible notes and therefore acceptable, though on its own is not favourable, so far as the Independent Shareholders are concerned after taking into account of the increase in the consolidated net asset value per Share after completion of the Placing and the Subscription and its subsequent full conversions into Conversion Shares.

### **Conditions and completion of the CN Placing**

The CN Placing and the CN Subscription are inter-conditional with each other. Completion of the CN Placing will not take place if completion of the CN Subscription does not occur and vice versa.

Completion of the CN Placing shall take place on the third Business Day after fulfilment or waiver (as applicable) of the last of the conditions set out in the CN Placing Agreement (or such other date as may be agreed between the Company and the Placing Agent), being the same date on which completion of the CN Subscription Agreement takes place (so that the CN Placing Agreement shall not be completed unless the CN Subscription Agreement is completed at or about the same time).

Based on the above analysis and from the perspective of assessment of the Initial Conversion Price with respect to (i) the historical performance of the Shares for the past several tens of days since 25 May 2007 after the Suspension Period; and (ii) the CN Placing Comparables, we are of the view that the CN Placing is in the interests of the Company and the Shareholders as a whole, and the terms of the CN Placing are fair and reasonable so far as the Company, the Shareholders and the Independent Shareholders are concerned.

### **THE CN SUBSCRIPTION AGREEMENT**

On 29 June 2007, the Company and ITC also entered into the CN Subscription Agreement pursuant to which, among other things, ITC conditionally agreed to subscribe and/or procure its nominee(s) to subscribe for a principal amount of HK\$50,000,000 Subscription Notes. Upon notification by the Company of the aggregate principal amount of the Placing Notes successfully placed by the Placing Agent, ITC may also elect to subscribe and/or procure its nominee(s) to subscribe for the Additional Amount (representing the principal amount of the Convertible Notes out of the Placing Notes which have not been successfully placed by the Placing Agent (if any)) subject to a maximum aggregate principal amount of HK\$50,000,000. The CN Subscription constitutes a connected transaction for the Company and is subject to approval of the Independent Shareholders. The Company is independent of and not connected with ITC and its connected persons under the definition of the Listing Rules.

### **Principal terms of the Subscription Notes**

The Subscription Notes and the Placing Notes have the same terms except that the aggregate initial principal amount of the Subscription Notes is HK\$50,000,000 and subject to a top up of the Additional Amount, making the total aggregate principal amount of the Subscription Notes under the CN Subscription Agreement up to HK\$100,000,000. Please refer to the section headed "Principal terms of the Placing Notes" above in this section for the details of the terms.

### **Conversion Shares falling to be issued upon exercise in full of the conversion rights attaching to the Subscription Notes**

Based on an aggregate principal amount of HK\$50,000,000 Subscription Notes are issued under the CN Subscription, upon full conversion of the Subscription Notes at the Initial Conversion Price (subject to adjustments), a total of 208,333,333 Conversion Shares will be issued, representing:

- (i) approximately 6.26% of the issued share capital of the Company as at the Latest Practicable Date;
- (ii) approximately 5.89% of the issued share capital of the Company as enlarged by the CN Subscription; and
- (iii) approximately 5.27% of the issued share capital of the Company as enlarged by the CN Subscription and the CN Placing (assuming the maximum aggregate principal amount of the Placing Notes are placed by the Placing Agent and full conversion of the Placing Notes).

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The maximum aggregate principal amount of the Convertible Notes to be issued by the Company under the CN Placing Agreement and the CN Subscription Agreement is HK\$150,000,000, upon full conversion of which at the Initial Conversion Price (subject to adjustments), a total of 625,000,000 Conversion Shares will be issued, representing:

- (i) approximately 18.77% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 15.81% of the issued share capital of the Company as enlarged by the CN Subscription and the CN Placing (assuming the maximum aggregate principal amount of the Placing Notes are placed by the Placing Agent and full conversion of the Placing Notes).

### Conditions and completion of the CN Subscription

The CN Placing and the CN Subscription are inter-conditional with each other. Completion of the CN Placing will not take place if completion of the CN Subscription does not occur, and vice versa.

Completion shall take place on the third Business Day after fulfilment or waiver (as applicable) of the last of the conditions set out in the CN Subscription Agreement (or such other date as may be agreed between the Company and ITC) and simultaneously with completion of the CN Placing Agreement (so that completion of the CN Subscription Agreement shall not take place unless completion of the CN Placing Agreement takes place at or about the same time).

Based on the above analysis and from the perspective of assessment of the Initial Conversion Price with respect to (i) the Initial Conversion Price is exactly the same between the CN Placing Agreement and the CN Subscription Agreement; (ii) the historical performance of the Shares for the past several tens of days since 25 May 2007 after the Suspension Period; and (iii) the CN Placing Comparables, we are of the view that the CN Subscription is also in the interests of the Company and the Shareholders as a whole, and the terms of the CN Subscription are fair and reasonable so far as the Company, the Shareholders and the Independent Shareholders are concerned.

Having considered that: (i) the Initial Conversion Price of the Convertible Notes (including the Placing Notes and the Subscription Notes under the CN Placing Agreement and CN Subscription Agreement respectively); (ii) the interest rate thereof; (iii) the terms of redemption thereof; and (iv) the terms in relation to the maturity, transferability, voting and ranking in respect thereof are fair and reasonable, we are of the view that the terms of the CN Placing Agreement and the CN Subscription Agreement and the Convertible Notes (including the Placing Notes and the Subscription Notes) are conducted on normal commercial terms and are fair and reasonable and the entering into of the CN Placing Agreement and the CN Subscription Agreement by the Company will benefit the Company and are in the interests of the Company, the Shareholders and the Independent Shareholders as a whole.

### REASONS FOR THE PLACING AND THE SUBSCRIPTION

As mentioned in the “Letter from the Board” of the Circular, the Directors consider that the recent market sentiment provides a good opportunity for the Company to raise funds while broadening its shareholder base. The maximum gross proceeds from the Placing and the Subscription will be approximately HK\$300.1 million; and the maximum net proceeds of approximately HK\$295.0 million from the Placing and the Subscription are intended to be used for the investments to diversify the Group’s business activities and broaden its earnings base. The Company will target at looking for strategic investments that would bring in attractive capital gain to it in medium term. As at the Latest Practicable Date, no such investment or business had been identified by the Company. In all, the Directors consider that the Placing and the Subscription represent a good opportunity to raise capital for the Company and broaden its shareholder base, and the Placing and the Subscription will put the Group in a better position to meet the challenges of the market and take advantage of investment opportunities to broaden its earnings base so as to enhance Shareholders’ value.

### Alternative financing methods

The Directors have not considered other means of fund raising activities except the Placing and the Subscription because they consider that, in addition to the above factors, the Placing and the Subscription are cost effective in terms of both cost and time when compared to other kinds of fund-raising mechanism such as rights issue, bank borrowings and open offer.

The Directors consider that the Share Placing, the CN Placing, the Share Subscription and the CN Subscription will initially strengthen the working capital and the financial position of the Group and may further enhance its capital base if the Convertible Notes (including the Placing Notes and the Subscription

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Notes) would subsequently be converted into Conversion Shares which can ultimately facilitate the Group's ongoing business development. Based on the discussion with the management of the Company, the Directors consider that the Share Placing, the CN Placing, the Share Subscription and the CN Subscription will put the Group in a better position to capture any investment or business opportunity as and when it arises where it is crucial in a competitive and rapidly changing capital market and investment environment.

In view of the current market sentiment, we consider that the issue of the Placing Shares, the Subscription Shares and the Convertible Notes (including the Placing Notes and the Subscription Notes) pursuant to the Share Placing, the Share Subscription, the CN Placing and the CN Subscription respectively under the current arrangement is an appropriate financing method under the current circumstances of the Company and the market though there would be a possible dilution impact arising therefrom on the shareholdings of the Shareholders in the short term.

### **Possible financial effects**

#### *Working capital*

The Group's capital base will be strengthened after the Share Placing, the Share Subscription, the CN Placing and the CN Subscription and its subsequent conversions, and its working capital position will also be improved as a result of the increase in its cash and bank balances from net proceeds of the Share Placing, the Share Subscription, the CN Placing and the CN Subscription and its subsequent conversions. Based on the Company's annual report for the year ended 31 December 2006, the Group had working capital of approximately HK\$47.6 million, comprising current assets of approximately HK\$58.0 million, including cash and bank balances (comprising time deposits) of approximately HK\$46.0 million, and current liabilities of approximately HK\$10.4 million. Assuming the Share Placing, the Share Subscription, the CN Placing and the CN Subscription could be completed and other factors which may affect working capital position remain unchanged, the Group's working capital will increase by approximately HK\$295.0 million, representing a significant improvement by approximately 619.7%. As at 30 June 2007, the Group had cash and bank balances of approximately HK\$123.5 million after taking into account the net proceeds of approximately HK\$106.0 million from the issue of 550,000,000 Shares as stipulated in the Company's announcement dated 13 June 2007, which are expected to increase by approximately HK\$295.0 million after completion of the Placing and the Subscription.

#### *Net asset value*

Upon the issue of the Placing Shares, the Subscription Shares and the Convertible Notes and before any conversion of the Convertible Notes, the consolidated balances of bank balances and cash balance, the consolidated total liabilities and the consolidated net asset value of the Group will be increased by HK\$295.0 million, HK\$150.0 million and HK\$145.0 million respectively, and there will not be any material adverse effect on the net asset value of the Group. The consolidated net asset value per Share immediately after the issue of the Placing Shares, the Subscription Shares and the Convertible Notes would be considerably increased by approximately HK\$0.0286 (based on the audited consolidated net asset value of the Group per Share of approximately HK\$0.0175 as at 31 December 2006 as adjusted for net proceeds of approximately HK\$106.0 million from the issue of 550,000,000 Shares as stipulated in the Company's announcement dated 13 June 2007 and up to the Latest Practicable Date of approximately HK\$304.6 million and the number of Shares in issue as at the Latest Practicable Date), representing a significant increase of approximately 61.6%.

Assuming the Convertible Notes are converted in full at HK\$0.240 per Share, the consolidated net asset value of the Group will be increased by approximately HK\$150.0 million, representing a considerable increase of approximately 49.2%. The consolidated net asset value per Share after the full conversion of the Convertible Notes would be increased by approximately HK\$0.022 (based on the consolidated net asset value of the Group of approximately HK\$454.6 million and 4,686 million Shares in issue after full conversion of the Convertible Notes), representing a considerable increase of approximately 29.3%.

#### *Gearing position*

Based on the Company's annual report for the year ended 31 December 2006, the Group did not have any interest-bearing borrowings and its gearing position is zero. Due to the increase in the total borrowings balance of the Group and equity of the Group attributable to the Shareholders as a result of the issue of the Convertible Notes and the Placing Shares, the gearing ratio of the Group (calculated as total liability component of the Convertible Notes divided by the resulting balance of equity attributable to the Shareholders) when the Placing Shares, the Subscription Shares and the Convertible Notes are issued and before any conversion of the Convertible Notes would be increased by approximately 49.2%. However, the gearing ratio of the Group will then be decreased to its original debt-free position (i.e. 0%) by the same percentage of approximately 49.2% if

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the Convertible Notes are converted in full at HK\$0.240 per Share. However, having considered that: (i) as stated in the paragraph headed “Reasons for the Placing and the Subscription” above, the Directors are of the view that the Placing and the Subscription represent a good opportunity to raise capital for the Company and broaden its shareholder base, and the Placing and the Subscription will put the Group in a better position to meet the challenges of the market and take advantage of investment opportunities to broaden its earnings base so as to enhance the Shareholders’ value, we consider that the increase in the gearing ratio of the Group upon issuing the Convertible Notes as aforesaid is justifiable in so far as the Independent Shareholders are concerned.

### Dilution in shareholding

Based on the shareholding structure of the Company as set out in the “Letter from the Board” of the Circular, as at the Latest Practicable Date, 2,101,928,861 Shares were held by other public Shareholders (i.e. excluding the 1,227,451,139 existing Shares currently held by ITC), representing approximately 63.13% of the issued share capital of the Company. Upon completion of the Placing and the Subscription and its subsequent conversions into Conversion Shares, such corresponding shareholding will be diluted to approximately 44.85%. Accordingly, the shareholding dilution appears to be considerable. However, the Shareholders should note that dilution effect on earnings per Share and shareholding is inevitable for placement of new Shares and/or convertible notes, they would face a similar level of dilution if a placing as well as a rights issue or an open offer of the similar size of the Placing and the Subscription is proceeded instead of the issue of the Placing Shares, the Subscription Shares and the Convertible Notes and the Shareholders do not subscribe for the Shares in full (under the rights issue or the open offer). Having considered that (i) the use of proceeds from the issue of the Placing Shares, the Subscription Shares, the Placing Notes and the Subscription Notes as described in the paragraph headed “Reasons for the Placing and the Subscription” above; and (ii) the anticipated enhancement and broadening of shareholders’ and capital base of the Company, we consider that the dilution effects on the shareholdings are inevitable for placement of new Shares and/or convertible notes and therefore acceptable, though on its own is not favourable, so far as the Independent Shareholders are concerned after taking into account of the increase in the consolidated net asset value per Share after completion of the Placing and the Subscription and its subsequent full conversions into Conversion Shares.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, and in particular:

- even though the Placing Price is at discounts to month/period end closing prices and average daily closing prices of the Shares, it represents a significant premium over the consolidated net asset value of the Group per Share;
- the relevant discount of the Company represented by the Placing Price over the closing price of HK\$0.205 per Placing Share on the Last Trading Day of approximately 17.34% falls within the range of the Share Placing Comparables and lies slightly above the median of approximately 15.59%, but is very close to the average of approximately 18.30% of the Share Placing Comparables;
- even though the daily closing prices of the Shares were at all the times traded above the Initial Conversion Price during the period after the date of the Announcement and up to the Latest Practicable Date, the Initial Conversion Price represents (i) a premium of approximately 8.11% over the average closing price per Share as quoted on the GEM for the last 20 consecutive trading days up to the Last Trading Day; and (ii) a significant premium over the audited net asset value per Share of the Group as at 31 December 2006;
- the interest rate of 4.0% per annum payable under the Placing Notes falls into that of the CN Placing Comparables which ranges between 0.0% and 4.0%, but is equivalent to the highest within the range of the CN Placing Comparables;
- the discount of approximately 3.23% represented by the Initial Conversion Price of HK\$0.240 per Share over the closing price of HK\$0.248 per Share as quoted on the GEM on the Last Trading Day falls into that of the CN Placing Comparables which ranges between a discount of approximately 98.70% and a premium of approximately 24.10% of the respective shares;
- the redemption premium at maturity of the Convertible Notes of 100.0% is basically comparable to the average of the CN Placing Comparables of approximately 103.6% and falls into that of the CN Placing Comparables which ranges between approximately 100.0% and 125.0%;

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- the terms of the Share Placing and Share Subscription pursuant to the Share Placing Agreement and the Share Subscription Agreement respectively are basically identical save for the number of Shares to be placed and subscribed for, as the case may be; and
- the terms of the CN Placing and the CN Subscription pursuant to the CN Placing Agreement and the CN Subscription Agreement respectively are basically identical save for the principal value of the notes to be subscribed by the respective subscribers and the number of the Conversion Shares to be issued upon their conversions,

we consider that the entering into the Share Placing Agreement, the Share Subscription Agreement, the CN Placing Agreement and the CN Subscription Agreement (collectively, the “Agreements”) are conducted on normal commercial and are fair and reasonable so far as the Company, the Shareholders and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Since (i) the Share Placing Agreement and the Share Subscription Agreement are inter-conditional; (ii) the CN Placing Agreement and the CN Subscription Agreement are inter-conditional; (iii) the Share Placing Agreement and the Share Subscription Agreement must be completed at the same time; and (iv) the CN Placing Agreement and the CN Subscription Agreement must also be completed at the same time, we advise the Independent Shareholders and Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Agreements, the issue of the Convertible Notes and the issue of new Shares pursuant to the exercise of conversion rights attached to the Convertible Notes and all matters contemplated under the Agreements.

### REFRESHMENT OF EXISTING GENERAL MANDATE TO ISSUE NEW SHARES

#### Background

The Existing General Mandate was approved at the 2007 AGM on 23 April 2007. The Existing General Mandate was based on the then issued Shares of 2,779,000,000. On 12 June 2007, the Placing Agent agreed to place, on a fully underwritten basis, 550,000,000 Shares at a price of HK\$0.20 per Share on behalf of the Company (the “Previous Placing”). Upon the completion of the Previous Placing, the Company would only have a further 5,800,000 Shares to be issued under the Existing General Mandate. As stated in the Company’s announcement on 13 June 2007, the Company expected to raise gross proceeds, before expenses, of approximately HK\$110.0 million. The net proceeds from the Previous Placing were approximately HK\$106.0 million and there was no specific use for the proceeds other than to be used for general working capital of the Group.

Up to the Latest Practicable Date, the Company had not identified any particular project to invest in, so the net proceeds from the Previous Placing of approximately HK\$106.0 million had not yet been utilised and are expected to be applied as working capital of the Group. The refreshment of the Existing General Mandate would then provide the Company with additional flexibility to raise further funds from other sources that may be needed to finance the Group’s working capital requirement and/or other investment opportunities that may arise in the future.

#### Financial flexibility

The Directors believe that the refreshment of the Existing General Mandate will provide them with flexibility to issue new Shares especially in the context of a fund raising exercise or a transaction involving an acquisition by the Company where new Shares are to be issued as consideration and which has to be completed speedily. However, as at the Latest Practicable Date, the Directors had no present intention of any acquisition by the Company nor any plan for raising capital by issuing new Shares.

#### *Increasing the amount of equity capital raised*

As at the Latest Practicable Date, the Company had a total of 3,329,380,000 Shares in issue. Assuming that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be permitted to allot and issue up to 665,876,000 Shares if the proposed refreshment of the Existing General Mandate is approved by the Independent Shareholders at the EGM (the “New General Mandate”).

As mentioned above, the Company only has a further 5,800,000 Shares which could be allotted and issued under the Existing General Mandate. The New General Mandate would then allow the Company to further allot and issue a maximum of 665,876,000 new Shares. The New General Mandate will enhance the financing flexibility of the Company to raise capital and to strengthen the capital base of the Group. The



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Company would then have an enlarged amount of capital which could be raised under the New General Mandate to provide for additional financial resources and give the Company more financing options when necessary and negotiating for investment and/or acquisition opportunities in a timely manner.

### *Shortening the time required for fund raising*

As stated in the “Letter from the Board” of the Circular, the New General Mandate could give the Company the flexibility and ability to capture any capital raising or investment or business opportunities as and when it arises. Such ability is crucial in a competitive and rapidly changing capital market and investment environment. As advised by the Directors, funding decisions may have to be made and completed speedily when these capital raising or investment or business opportunities arise. The New General Mandate will enable the Company to take advantage of the market condition to raise additional funds for the Company when investment or business opportunities are identified and/or when the Directors think fit and appropriate. These opportunities may or may not result in issuance of new Shares depending on the circumstances and market conditions. As advised by the Directors, as at the Latest Practicable Date, the Company did not have any definitive investment or acquisition plans with concrete terms or any immediate funding needs. The New General Mandate would then enable the Group to allot and issue Shares as consideration or raise capital to fund such opportunities in a short period of time.

### *Providing an efficient and cost-effective financing method*

As indicated by the Directors, the Company has not considered other various financing methods when raising funds, such as bank and other debt financing, or equity fund raising including rights issue of new Shares because (i) trading of the Shares had been suspended during the Suspension Period for almost three years; and (ii) these exercises generally tend to involve longer completion time and/or higher costs as well. As such, the New General Mandate would provide an efficient and cost-effective fund raising method to the Company without incurring additional debt and interest costs, in particular in view the recent buoyant market sentiment.

Based on the above, we consider that the granting of the New General Mandate could enhance the financing flexibility of the Company to raise capital and to strengthen the capital base of the Group, if and when required, through placing of new Shares for its business development.

### **Potential dilution to Shareholders**

Based on the table as set out under the paragraph headed “Effects on shareholding structure of the Company” in the “Letter from the Board” of the Circular, 2,101,928,861 Shares are currently held by the public Shareholders, representing approximately 63.13% of the Shares in issue as at the Latest Practicable Date. Upon full utilisation of the New General Mandate, 665,876,000 new Shares will be issued, which will be representing in the following different scenario:

- approximately 20% and 16.7% of the existing issued ordinary share capital and the enlarged issued ordinary share capital of the Company, respectively. The aggregate ordinary shareholding of the existing public Shareholders will decrease from approximately 63.13% to approximately 52.61% after full utilisation of the New General Mandate, resulting in a dilution of approximately 10.52%;
- upon the issue of the Placing Shares, the Subscription Shares and the Convertible Notes and before any conversion of the Convertible Notes into the Conversion Shares, the aggregate ordinary shareholding of the existing public Shareholders will decrease from approximately 51.76% to approximately 44.46% after full utilisation of the New General Mandate, resulting in a dilution of approximately 7.30%; and
- upon the issue of the Placing Shares, the Subscription Shares and the Convertible Notes and after full conversion of the Convertible Notes into the Conversion Shares, the aggregate ordinary shareholding of the existing public Shareholders will decrease from approximately 44.85% to approximately 39.27% after full utilisation of the New General Mandate, resulting in a dilution of approximately 5.58%.

Shareholders should note that the New General Mandate will, if granted, remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Companies Law of the Cayman Islands or the articles of association of the Company; and (iii) its revocation or variation by an ordinary resolution of the Shareholders in general meeting.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account the granting of the New General Mandate would increase the amount of equity capital that could be raised under the New General Mandate, shorten the time required for fund raising and provide efficient and cost-effective financing method to the Group for its business development and potential acquisitions, as well as the fact that the shareholding of all Shareholders would be diluted to the same extent upon utilisation of the New General Mandate, we consider that the potential dilution to the Independent Shareholders' shareholding is acceptable.

### RECOMMENDATION

Having considered all factors referred to above, we consider that the grant of the New General Mandate is conducted on normal commercial terms and is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New General Mandate.

Yours faithfully,  
For and on behalf of  
**First Shanghai Capital Limited**  
**Helen Zee**                      **Eric Lee**  
*Managing Director*              *Executive Director*

## 1. RESPONSIBILITY STATEMENT

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

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this circular (other than information relating to ITC) is accurate and complete in all material respects and not misleading; (ii) there are no other matters (other than information relating to ITC) the omission of which would make any statement in this circular misleading; and (iii) all opinion expressed in this circular (other than those expressed by ITC) have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of the Directors and chief executive

As at the Latest Practicable Date, the interests or short positions of the Directors (including the independent non-executive Directors) or chief executive of the Company in the shares, debentures or underlying shares of the Company and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

*Interests in share options under the share option scheme of the Company adopted on 30 April 2002*

Name of Director	Nature of interest	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share option	Approximate % of the issued share capital of the Company
Mr. Francis J. Chang Chu Fai	Personal interest	9 July 2007	9 July 2007 to 8 July 2010	0.33	15,000,000	0.45
Mr. Leung Man Pok, John	Personal interest	9 July 2007	9 July 2007 to 8 July 2010	0.33	15,000,000	0.45
Ms. Cheung Wing Chi, Winnie	Personal interest	9 July 2007	9 July 2007 to 8 July 2010	0.33	5,000,000	0.15
Mr. Chung Koon Yan	Personal interest	9 July 2007	9 July 2007 to 8 July 2010	0.33	1,500,000	0.05
Mr. Wong Kai Tat	Personal interest	9 July 2007	9 July 2007 to 8 July 2010	0.33	1,500,000	0.05
Mr. Yue Wai Keung	Personal interest	9 July 2007	9 July 2007 to 8 July 2010	0.33	1,500,000	0.05

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the shares, debentures or underlying shares and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.



**(b) Interests of substantial Shareholders**

As at the Latest Practicable Date, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

**Long Position in the Shares:**

Name	Capacity	Number of Shares held	Approximate % of the issued share capital of the Company
Golden Hall Holdings Limited ( <i>Note 1</i> )	Beneficial owner	1,227,451,139	36.87
Fullhonour Limited ( <i>Note 1</i> )	Interest of a controlled corporation	1,227,451,139	36.87
ITC Investment Holdings Limited ( <i>Note 1</i> )	Interest of a controlled corporation	1,227,451,139	36.87
ITC ( <i>Notes 1 and 2</i> )	Interest of a controlled corporation Beneficial owner	1,227,451,139 756,666,666	36.87 22.73

*Notes:*

- Golden Hall Holdings Limited is a wholly-owned subsidiary of Fullhonour Limited ("Fullhonour") which in turn is wholly-owned by ITC Investment Holdings Limited ("ITCIH"). ITCIH is a wholly-owned subsidiary of ITC. Fullhonour, ITCIH and ITC are deemed to be interested in 1,227,451,139 Shares held by Golden Hall Holdings Limited.
- ITC was interested in the derivative of 756,666,666 Shares which includes (i) 340,000,000 Shares to be issued pursuant to the Share Subscription Agreement, (ii) 208,333,333 Shares to be issued pursuant to the CN Subscription Agreement whereby the Company shall issue Convertible Notes in the principal amount of HK\$50,000,000 convertible into 208,333,333 Shares at the initial conversion price of HK\$0.24 (subject to adjustments), and (iii) 208,333,333 Shares to be issued pursuant to the Additional Amount of the Convertible Notes to be subscribed by ITC under the CN Subscription Agreement up to HK\$50,000,000 convertible into 208,333,333 Shares at the initial conversion price of HK\$0.24 (subject to adjustments).

Save as disclosed above, no person who had an interest and/or a short position in the Shares and/or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 and Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any members of the Group, or any options in respect of such capital.

**3. DIRECTORS' INTERESTS**

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

None of the Directors had any interest in any assets which have been, since 31 December 2006, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

There were no contracts or arrangements subsisting in which a Director is materially interested and which is significant in relation to the business of the Group.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**5. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into the ordinary course of business) have been entered into by members of the Group within two years before the date of the Announcement and up to and including the Latest Practicable Date and which are or may be material:

- (i) the underwriting agreement dated 12 June 2007 entered into between the Company and Taifook Securities in relation to a top-up placing;
- (ii) the Share Placing Agreement;
- (iii) the CN Placing Agreement;
- (iv) the Share Subscription Agreement; and
- (v) the CN Subscription Agreement.

**6. CLAIMS AND LITIGATIONS**

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

**7. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
First Shanghai	a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity as set out in the SFO

First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, First Shanghai had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or any direct or indirect interests in any assets which had been, since 31 December 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.

**8. MATERIAL ADVERSE CHANGES**

The Directors confirmed that, at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection from 9:30 a.m. to 12:30 p.m., and from 2:00 p.m. to 5:30 p.m. between Mondays to Fridays (public holidays excepted) at the principal place of business of the Company in Hong Kong of Rooms 301-302, 3/F, United Chinese Bank Building Nos. 31-37 Des Voeux Road Central, Hong Kong, Trasy's website at [www.trasy.com](http://www.trasy.com) and the SFC's website at [www.sfc.hk](http://www.sfc.hk) from the date of this circular up to and including 8 August 2007:

- (a) the letter from the Board, the text of which is set out on pages 4 to 16 of this circular;

- (b) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (c) the letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 36 of this circular;
- (d) the written consent referred to in the paragraph headed “QUALIFICATION AND CONSENT OF EXPERT” in this appendix; and
- (e) the material contracts referred to in the paragraph headed “MATERIAL CONTRACTS” in this appendix.

**10. MISCELLANEOUS**

- The qualified accountant of the Company is Mr. Chan Wai Sze, Francis, *FCCA, CPA*.
- The company secretary of the Company is Mr. Tse Kam Fai, *ACIS, ACS, MHKIoD*.
- The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- The Company’s principal place of business in Hong Kong is situated at Rooms 301-302, 3/F, United Chinese Bank Building, Nos. 31-37 Des Voeux Road Central, Hong Kong.
- The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited situated at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- The English texts of this circular, the accompanying form of proxy and the notice of the EGM prevail over their respective Chinese texts.

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## NOTICE OF EGM

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### TRASY GOLD EX LIMITED

### 卓施金網有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8063)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Trasy Gold Ex Limited (the "Company") will be held at 10:00 a.m. on Wednesday, 8 August 2007 at Bridges Executive Centre, 20th Floor, Central Tower, 28 Queen's Road Central, Hong Kong, for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. "THAT:

- (A) the conditional placing agreement (the "Share Placing Agreement") dated 28 June 2007 entered into between the Company and Taifook Securities Company Limited ("Placing Agent") under which the Company agreed to issue and allot an aggregate of up to 392,000,000 new ordinary shares of HK\$0.01 each in the share capital of the Company ("Placing Shares") and the Placing Agent agreed to act as placing agent of the Company for the purpose of procuring on best efforts basis subscription of the Placing Shares, a copy of which has been tabled at the meeting and marked "A" and signed for the purpose of identification by the chairman of the meeting, be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder including the issue and allotment of the Placing Shares be and are hereby approved and the directors of the Company be and are hereby authorised to issue and allot the Placing Shares and to sign or execute such other documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary or desirable for the purposes of giving effect to the Share Placing Agreement; and
- (B) the conditional subscription agreement (the "Share Subscription Agreement") dated 28 June 2007 entered into between the Company and ITC Corporation Limited ("ITC") under which the Company agreed to issue and allot to ITC and/or its nominee(s) an aggregate of up to 340,000,000 new ordinary shares of HK\$0.01 each in the share capital of the Company ("Subscription Shares"), and ITC agreed to subscribe and/or procure its nominee(s) to subscribe for the Subscription Shares, a copy of which has been tabled at the meeting and marked "B" and signed for the purpose of identification by the chairman of the meeting, be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder including the issue and allotment of the Subscription Shares be and are hereby approved and the directors of the Company be and hereby authorised to issue and allot the Subscription Shares and to sign or execute such other documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary or desirable for the purposes of giving effect to the Share Subscription Agreement."

2. "THAT:

- (A) the conditional placing agreement ("CN Placing Agreement") dated 29 June 2007 entered into between the Company and the Placing Agent under which the Company agreed to issue the convertible notes (the terms and conditions of which are set out in the CN Placing Agreement) of up to an aggregate principal amount of HK\$100,000,000 which entitle the holder(s) thereof to convert into ordinary shares in the Company ("Conversion Shares") at an initial conversion price of HK\$0.24 per Conversion Share subject to adjustment (the "Placing Notes") and the Placing Agent agreed to act as placing agent of the Company for the purpose of procuring on a best efforts basis subscription of the Placing Notes, a copy of which has been tabled at the meeting and marked "C" and signed for the purpose of identification by the chairman of the meeting, be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder including the issue

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of the Placing Notes and the issue and allotment of the Conversion Shares upon exercise of the conversion rights under the Placing Notes be and are hereby approved and the directors of the Company be and hereby authorised to issue the Placing Notes and the issue and allotment of the Conversion Shares upon exercise of the conversion rights under the Placing Notes and to sign or execute such other documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary or desirable for the purposes of giving effect to the CN Placing Agreement; and

- (B) the conditional subscription agreement (“CN Subscription Agreement”) dated 29 June 2007 entered into between the Company and ITC under which the Company agreed to issue to ITC or its nominee(s) convertible notes (the terms and conditions of which are set out in the CN Subscription Agreement) of up to an aggregate principal amount of HK\$50,000,000 which may be increased to a maximum aggregate amount of HK\$100,000,000 at the election of ITC and which entitle the holder(s) thereof to convert into ordinary shares in the Company (“Conversion Shares”) at an initial conversion price of HK\$0.24 per Conversion Share subject to adjustments (the “Subscription Notes”) and ITC agreed to subscribe and/or procure its nominee(s) to subscribe for the Subscription Notes, a copy of which has been tabled at the meeting and marked “D” and signed for the purpose of identification by the chairman of the meeting, be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder including the issue of the Subscription Notes and the issue and allotment of the Conversion Shares upon exercise of the conversion rights under the Subscription Notes be and are hereby approved and the directors of the Company be and are hereby authorised to issue the Subscription Notes and the issue and allotment of the Conversion Shares upon exercise of the conversion rights under the Subscription Notes and to sign or execute such other documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary or desirable for the purposes of giving effect to the CN Subscription Agreement.”

3. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with authorised and unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
- (i) a Right Issue (as defined below);
  - (ii) the exercise of options under a share option scheme of the Company; and
  - (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company;

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

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- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company's shareholders in general meeting; or
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements or any recognised regulatory body or any stock exchange).”

4. “**THAT** conditional upon the passing of the resolution set out in item (3) of the notice convening this meeting (the “Notice”), the general mandate referred to in the resolution set out in item (3) of the Notice be and is hereby extended by the addition to the aggregate nominal amount of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of shares purchased by the Company pursuant to the mandate granted to the Directors on 23 April 2007, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution.”

By Order of the Board  
**Trasy Gold Ex Limited**  
**Francis J. Chang Chu Fai**  
*Chairman*

Hong Kong, 23 July 2007

*Notes:*

1. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy or more than one proxy (for member holding two or more shares) to attend and vote in his / her stead. A proxy need not be a member of the Company.
2. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.
3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting, and in default thereof the form of proxy shall not be treated as valid.
4. As at the date of this notice, the board of the Directors comprises Mr. Francis J. Chang Chu Fai as Chairman, Mr. Leung Man Pok, John as Managing Director, Ms. Cheung Wing Chi, Winnie as executive Director, and Mr. Chung Koon Yan, Mr. Wong Kai Tat and Mr. Yue Wai Keung as independent non-executive Directors.