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# **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

The Stock Exchange of Hong Kong Limited 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.

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## **MASCOTTE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0136)**

**MAJOR AND CONNECTED TRANSACTIONS  
DISPOSAL OF 100% INTEREST IN A COMPANY  
HOLDING PROPERTIES IN HONG KONG  
AND PROPERTIES IN THE PRC  
CONTINUING CONNECTED TRANSACTIONS  
AND  
RE-ELECTION OF RETIRING DIRECTOR**

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**

**VEDA | CAPITAL**  
**智略資本**

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A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Share Disposal Agreement and the Property Disposal Agreement and the transaction contemplated is set out on page 21 of this circular. A letter from Veda Capital Limited containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Share Disposal Agreement and the Property Disposal Agreement and the transaction contemplated is set out on pages 22 to 34 of this circular.

A notice convening a special general meeting of Mascotte Holdings Limited to be held at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong on Tuesday, 16 October 2007 at 9:00 a.m. or any adjournment thereof is enclosed. A form of proxy is also enclosed. Whether or not you are able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not prevent you from subsequently attending and voting at the special general meeting or any adjourned meetings should you so wish.

28 September 2007

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Company”	Mascotte Holdings Limited, a company incorporated under the laws of Bermuda, the issued shares of which are listed on the Stock Exchange and the holding company of each of the Share Disposal Vendor and the Property Disposal Vendor;
“connected person”	has the meaning attributed to it in the Listing Rules;
“controlling shareholder”	has the meaning attributed to it in the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK Properties”	the HK Property A, the HK Property B, the HK Property C, the HK Property D, the HK Property E, the HK Property F and the HK Property G, collectively, owned by Mascotte Investments as referred to under the paragraph headed “Information on Mascotte Investments” in the section headed “The Share Disposal” below;
“Honeyard Corporation”	a company incorporated under the laws of the British Virgin Islands and is wholly owned by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan are discretionary beneficiaries;
“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, established to advise the Independent Shareholders in relation to the Share Disposal Agreement and the Property Disposal Agreement;

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than Ms. Chan, Honeyard Corporation and Ms. Wong, Dickie (an executive Director and the daughter of Ms. Chan) and their respective associates;
“Independent Third Party”	third party independent of the Company and connected persons of the Company;
“Latest Practicable Date”	27 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Leaseback”	the leaseback by the Group of the HK Property A, the HK Property B and the HK Property D pursuant to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy after the Share Disposal Completion;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mascotte Investments”	Mascotte Investments Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company;
“Ms. Chan” or “Property Purchaser”	Ms. Chan Oi Ling, Maria Olimpia, an executive Director and the Chairperson of the Company and a controlling shareholder of the Company. Ms. Chan is the ultimate beneficial owner of the Share Purchaser, the purchaser in the Property Disposal and a connected person of the Company;
“Ordinary Resolutions”	the ordinary resolutions to be proposed and passed at the SGM as set out in the SGM Notice;
“Po Chai Building Tenancy (1)”	has the meaning as referred to under the paragraph headed “Information on Mascotte Investments” in the section headed “The Share Disposal” below;
“Po Chai Building Tenancy (2)”	has the meaning as referred to under the paragraph headed “Information on Mascotte Investments” in the section headed “The Share Disposal” below;

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## DEFINITIONS

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“PRC”	People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC Property”	the properties known as Shop Units Nos. 201, 202 and 203 on Level 2, Glittery Plaza, No. 65 Qianjin Road, Haizhu District, Guangzhou, Guangdong Province, the PRC;
“Property Disposal”	the disposal of the PRC Property by the Property Disposal Vendor to the Property Purchaser;
“Property Disposal Agreement”	the agreement dated 8 August 2007 (as amended by a supplemental agreement dated 27 September 2007) entered into between the Property Disposal Vendor and the Property Purchaser relating to the Property Disposal;
“Property Disposal Completion”	the completion of the Property Disposal;
“Property Disposal Consideration”	the total amount of HK\$30,000,000, being the consideration for the Property Disposal;
“Property Disposal Vendor”	Mascotte Hui Zhou Limited, a wholly-owned subsidiary of the Company and the vendor in the Property Disposal;
“Sale Shares”	1,000 ordinary shares of HK\$1 each in the capital of Mascotte Investments, representing the entire issued share capital with voting right of Mascotte Investments;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be held at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong on Tuesday, 16 October 2007 at 9:00 a.m., to consider and, if appropriate, to approve the Ordinary Resolutions or any adjournment thereof;
“SGM Notice”	the notice of the SGM to be despatched to the Shareholders together with this circular;
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the capital of the Company;

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## DEFINITIONS

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“Share Disposal”	the disposal of the Sale Shares and the Shareholder’s Loan by Share Disposal Vendor to the Share Purchaser;
“Share Disposal Agreement”	the agreement dated 8 August 2007 (as amended by a supplemental agreement dated 27 September 2007) entered into between Share Disposal Vendor and the Share Purchaser relating to the Share Disposal;
“Share Disposal Completion”	the completion of the Share Disposal;
“Share Disposal Consideration”	the total amount of HK\$29,000,000, being the consideration for the Share Disposal;
“Share Disposal Vendor”	Mascotte Group Limited, a wholly-owned subsidiary of the Company and the vendor in the Share Disposal;
“Share Purchaser”	Kada International Investments Limited, a company incorporated under the laws of the British Virgin Islands, which is wholly-owned by Ms. Chan and the purchaser in the Share Disposal. The Share Purchaser is a connected person of the Company;
“Shareholders”	shareholders of the Company;
“Shareholder’s Loan”	all amounts of loans due from Mascotte Investments to the Share Disposal Vendor as at Share Disposal Completion (estimated to be approximately HK\$27.2 million as at Share Disposal Completion);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry out business in type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Disposal Agreement and the Property Disposal Agreement and the transaction contemplated;
“Wo Fung Building Tenancy”	has the meaning as referred to under the paragraph headed “Information on Mascotte Investments” in the section headed “The Share Disposal” below;

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

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LETTER FROM THE BOARD

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**MASCOTTE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 0136)**

*Executive directors:*

Ms. Chan Oi Ling, Maria Olimpia (*Chairperson*)  
Mr. Lam Yu Ho, Daniel (*Managing Director*)  
Mr. Au Yeung Kai Chor  
Ms. Wong, Dickie  
Mr. Peter Temple Whitelam

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive directors:*

Mr. Wong Yui Leung, Larry  
Mr. Lui Wai Shan, Wilson  
Mr. Cheung Ngai Lam  
Mr. Chan Sze Hung

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

1st Floor  
Po Chai Industrial Building  
28 Wong Chuk Hang Road  
Aberdeen  
Hong Kong

28 September 2007

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS  
DISPOSAL OF 100% INTEREST IN A COMPANY  
HOLDING PROPERTIES IN HONG KONG  
AND PROPERTIES IN THE PRC**

**CONTINUING CONNECTED TRANSACTIONS  
AND  
RE-ELECTION OF RETIRING DIRECTOR**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 8 August 2007 in relation to, among other things, the Share Disposal and the Property Disposal.



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## LETTER FROM THE BOARD

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The Share Disposal and the Property Disposal, when aggregated, constitutes a major transaction for the Company under the Listing Rules and each of the Share Disposal and the Property Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Each of the Share Disposal Agreement and the Property Disposal Agreement will be subject to the approval of the Independent Shareholders at the SGM, where voting must be taken by way of poll.

The purpose of this circular is to provide you with further information of (i) the Share Disposal and the Property Disposal and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser, Veda Capital, to the Independent Board Committee and the Independent Shareholders; (ii) the re-election of retiring executive Director; and (iii) the SGM Notice.

### THE SHARE DISPOSAL

#### *The Share Disposal Agreement*

Date: 8 August 2007 (as amended by a supplemental agreement dated 27 September 2007, pursuant to which the latest time for fulfilling the conditions as set out below under the paragraph headed “The Share Disposal Agreement – Conditions” and the Share Disposal Completion have been extended to on or before 31 October 2007 (or such other date as may be agreed by the Share Disposal Vendor and the Share Purchaser)

Parties: (1) Mascotte Group Limited as the Share Disposal Vendor, a wholly-owned subsidiary of the Company; and

(2) Kada International Investments Limited, as the Share Purchaser, which is an investment holding company wholly-owned by Ms. Chan, an executive Director and the Chairperson of the Company

#### **Interests to be disposed:**

(1) Sale Shares: 1,000 ordinary shares of HK\$1 each in the capital of Mascotte Investments, representing 100% of the issued share capital with voting right of Mascotte Investments

(2) Shareholder’s Loan: All amounts of loans due from Mascotte Investments to the Share Disposal Vendor as at Share Disposal Completion (estimated to be approximately HK\$27.2 million as at Share Disposal Completion)

As at Share Disposal Completion, the HK Properties will be the only material assets held by Mascotte Investments. Upon Share Disposal Completion, Mascotte Investments will cease to be a subsidiary of the Company.

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## LETTER FROM THE BOARD

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### **Share Disposal Consideration:**

HK\$29,000,000. The Share Disposal Consideration shall be satisfied by the Share Purchaser in cash in the following manner:

- (a) upon signing of the Share Disposal Agreement, a sum of HK\$10,000,000, (being part payment of the Share Disposal Consideration) has been paid by the Share Purchaser to the Share Disposal Vendor; and
- (b) the balance of HK\$19,000,000 shall be payable on Share Disposal Completion.

The Share Disposal Consideration was determined after arm's length negotiations between the Share Disposal Vendor and the Share Purchaser, taking into account a valuation of an independent valuer, Chung, Chan & Associates, Chartered Surveyors, in respect of the market value of the HK Properties at HK\$28,590,000 as at 30 June 2007. A valuation report of Chung, Chan & Associates, Chartered Surveyors is set out in appendix II to this circular.

### **Conditions:**

The Share Disposal Completion is conditional upon:

- (a) the passing of the necessary resolution(s) by the Independent Shareholders in general meeting approving the Share Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules; and
- (b) all necessary waivers, consents, permits and approval (whether governmental, regulatory or otherwise, including those of the Stock Exchange) as may be required in respect of the Share Disposal Agreement and the transactions contemplated thereunder having been obtained.

If any of the conditions shall not have been satisfied on or before 31 October 2007 (or such other date as may be agreed by the Share Disposal Vendor and the Share Purchaser), the Share Disposal Agreement shall terminate and none of the parties to the Share Disposal Agreement shall have any claim whatsoever against the other party (save for any antecedent breaches of the terms thereof) provided that the Share Disposal Vendor shall return to the Share Purchaser the amount paid by it under the Share Disposal Agreement forthwith.

The Share Disposal and the Property Disposal are not inter-conditional.

### **Share Disposal Completion:**

Subject to fulfilment of the conditions set out above, Share Disposal Completion shall take place on or before 31 October 2007 (or such other date as may be agreed by the Share Disposal Vendor and the Share Purchaser).

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## LETTER FROM THE BOARD

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### *Information on Mascotte Investments*

Mascotte Investments is a limited liability company incorporated under the laws of Hong Kong on 15 December 1992. The issued share capital of Mascotte Investments comprises (i) 1,000 ordinary shares of HK\$1 each (i.e. the Sale Shares); and (ii) 1,000,000 non-voting deferred shares of HK\$1 each, which carry no rights to dividend or to receive notice of or attend or vote at any general meeting of Mascotte Investments. On winding up, the holders of such non-voting deferred shares shall be entitled to one half of the remaining assets of Mascotte Investments after the first HK\$100,000,000,000,000 has been distributed equally amongst the holders of the ordinary shares of Mascotte Investments. Ms. Chan and Mr. Lam Yu Ho, Daniel, the Managing Director, each holds 500,000 of such non-voting deferred shares. Mascotte Investments is principally engaged in holding of investment properties and the principal assets of Mascotte Investments comprise the HK Properties as follows:

- (1) Units A & B on 1st Floor and Car Parking Spaces Nos. 1, 2 and 3 on Ground Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong (“**HK Property A**”)

Saleable area (excluding car-parking spaces): (approx.) 8,835 sq. ft.

Valuation of the market value (with regard to market comparables) of an independent valuer, Chung, Chan & Associates, Chartered Surveyors, as at 30 June 2007 (on the assumptions that, among other things, there is no leaseback, which would serve to increase the values of the properties and vacant possession will be available in the event of a sale): HK\$7,000,000

The HK Property A is currently used by the Group as its head office, showroom and principal place of business in Hong Kong and is subject to the following tenancy entered into on 12 July 2007 (“**Po Chai Building Tenancy (1)**”):

Tenant: Mascotte Industrial Associates (Hong Kong) Limited, a wholly-owned subsidiary of the Company

Term : 2 years commencing from 16 July 2007

Rent : HK\$38,000 per month (exclusive of rates, management fees and utilities charges payable by the tenant)

Deposit: HK\$76,000

The above monthly rent has been determined on arm’s length basis with reference to the prevailing market rent and taking into account the amount of rent payable for similar premises in nearby district.

In addition, the Po Chai Building Tenancy (1) provides that the tenant shall not terminate the Po Chai Building Tenancy (1) during the term, otherwise, the tenant shall make compensation according to the remaining term of the Po Chai Building Tenancy (1). In

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## LETTER FROM THE BOARD

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the event the tenant requests for termination of the tenancy within the first year, the landlord has the right to deduct an additional amount equivalent to 1 month's deposit as compensation.

The Group entered into the Po Chai Building Tenancy (1) such that it can continue to use the HK Property A as its head office, showroom and principal place of business in Hong Kong after the Share Disposal Completion.

The audited carrying amount of the HK Property A as at 31 March 2007 was HK\$5,735,558. The valuation of the HK Property A subject to the Po Chai Building Tenancy (1) as at 16 July 2007, being the commencement date of the Po Chai Building Tenancy (1), is at HK\$6,900,000, and the valuer is of the opinion that the rental is slightly lower than market rent.

- (2) Unit B on 7th Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong ("**HK Property B**")

Saleable area: (approx.) 2,912 sq. ft.

Valuation of the market value (with regard to market comparables) of an independent valuer, Chung, Chan & Associates, Chartered Surveyors, as at 30 June 2007 (on the assumptions that, among other things, there is no leaseback, which would serve to increase the values of the properties and vacant possession will be available in the event of a sale) : HK\$1,895,000

The HK Property B is currently used by the Group as warehouse and is subject to the following tenancy entered into on 12 July 2007 ("**Po Chai Building Tenancy (2)**"):

Tenant : Mascotte Industrial Associates (Hong Kong) Limited, a wholly-owned subsidiary of the Company

Term : 2 years commencing from 16 July 2007

Rent : HK\$10,000 per month (exclusive of rates, management fees and utilities charges payable by the tenant)

Deposit: HK\$20,000

The above monthly rent has been determined on arm's length basis with reference to the prevailing market rent and taking into account the amount of rent payable for similar premises in nearby district.

In addition, the Po Chai Building Tenancy (2) provides that the tenant shall not terminate the Po Chai Building Tenancy (2) during the term, otherwise, the tenant shall make compensation according to the remaining term of the Po Chai Building Tenancy (2). In the event the tenant requests for termination of the tenancy within the first year, the landlord has the right to deduct an additional amount equivalent to 1 month's deposit as compensation.

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## LETTER FROM THE BOARD

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The Group entered into the Po Chai Building Tenancy (2) such that it can continue to use the HK Property B as warehouse after the Share Disposal Completion.

The audited carrying amount of the HK Property B as at 31 March 2007 was HK\$1,785,698. The valuation of the HK Property B subject to the Po Chai Building Tenancy (2) as at 16 July 2007, being the commencement date of the Po Chai Building Tenancy (2), is at HK\$1,860,000, and the valuer is of the opinion that the rental is slightly lower than market rent.

- (3) Unit A on Ground Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong (“**HK Property C**”)

Gross floor area: (approx.) 3,800 sq. ft.

Valuation of the market value (with regard to market comparables and subject to the existing tenancies) of an independent valuer, Chung, Chan & Associates, Chartered Surveyors, as at 30 June 2007: HK\$3,790,000

The HK Property C is currently leased to an Independent Third Party at the rent of HK\$30,700 per month. The tenancy is for an initial fixed term of 2 years commencing from 15 July 2006 with an option for the tenant to extend for 1 year.

The audited carrying amount of the HK Property C as at 31 March 2007 was HK\$3,750,000.

- (4) Unit A on 1st Floor, Wo Fung Industrial Building, No. 2 Yip Wo Street, Fanling, New Territories, Hong Kong (“**HK Property D**”)

Saleable area: (approx.) 6,219 sq. ft.

Valuation of the market value (with regard to market comparables) of an independent valuer, Chung, Chan & Associates, Chartered Surveyors, as at 30 June 2007 (on the assumptions that, among other things, there is no leaseback, which would serve to increase the values of the properties and vacant possession will be available in the event of a sale): HK\$2,980,000

The HK Property D is currently used as the Group’s branch office and warehouse and is subject to the following tenancy entered into on 12 July 2007 (“**Wo Fung Building Tenancy**”):

Tenant : Mascotte Industrial Associates (Hong Kong) Limited, a wholly-owned subsidiary of the Company

Term : 2 years commencing from 16 July 2007

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## LETTER FROM THE BOARD

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Rent :           HK\$15,000 per month (exclusive of rates, management fees and utilities charges payable by the tenant)

Deposit:        HK\$30,000

The above monthly rent has been determined on arm's length basis with reference to the prevailing market rent and taking into account the amount of rent payable for similar premises in nearby district.

In addition, the Wo Fung Building Tenancy provides that the tenant shall not terminate the Wo Fung Building Tenancy during the term, otherwise, the tenant shall make compensation according to the remaining term of the Wo Fung Building Tenancy. In the event the tenant requests for termination of the tenancy within the first year, the landlord has the right to deduct an additional amount equivalent to 1 month's deposit as compensation.

The Group entered into the Wo Fung Building Tenancy such that it can continue to use the HK Property D as the Group's branch office and warehouse after the Share Disposal Completion.

The audited carrying amount of the HK Property D as at 31 March 2007 was HK\$2,503,816. The valuation of the HK Property D subject to the Wo Fung Building Tenancy as at 16 July 2007, being the commencement date of the Wo Fung Building Tenancy, is at HK\$2,900,000, and the valuer is of the opinion that the rental is slightly lower than market rent.

(5) 2 residential units in the South Horizons, Hong Kong ("**HK Property E**")

Valuation of the market value (with regard to market comparables) of an independent valuer, Chung, Chan & Associates, Chartered Surveyors, as at 30 June 2007 (on the assumption that, among other things, vacant possession will be available in the event of a sale): HK\$6,960,000

The HK Property E is currently used as staff quarter under the terms of a service contract with the Group on rent free basis. On completion of the Share Disposal, the HK Property E will cease to be staff quarter and the Group will not leaseback HK Property E from Mascotte Investments. The audited carrying amount of the HK Property E as at 31 March 2007 was HK\$5,307,394.

(6) Workshop No. 7 on 18th Floor, Harbour Industrial Centre, No. 10 Lee Hing Street, Hong Kong ("**HK Property F**")

Gross floor area: (approx.) 1,145 sq. ft.

Valuation of the market value (with regard to market comparables and subject to the existing tenancies) of an independent valuer, Chung, Chan & Associates, Chartered Surveyors, as at 30 June 2007: HK\$600,000

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## LETTER FROM THE BOARD

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The HK Property F is currently leased to an Independent Third Party at the rent of HK\$3,200 per month. The tenancy is for an initial fixed term of 2 years commencing from 1 August 2005. The tenancy expired on 31 July 2007 and the parties have agreed to extend the tenancy on the same terms and conditions to 31 January 2008. The audited carrying amount of the HK Property F as at 31 March 2007 was HK\$595,000.

- (7) Shop Space No. S18 & S97 on 2nd Floor, Red Mall of Malahon Apartment, No. 509 Jaffe Road, Hong Kong (“**HK Property G**”)

Saleable area: (approx.) 95 sq. ft.

Valuation of the market value (with regard to market comparables and subject to the existing tenancies) of an independent valuer, Chung, Chan & Associates, Chartered Surveyors, as at 30 June 2007: HK\$5,365,000

The HK Property G is currently leased to an Independent Third Party pursuant to 2 tenancy agreements at the aggregate rent of HK\$33,308.34 per month. The term of both tenancies is 2 years commencing from 27 October 2005.

The audited carrying amount of the HK Property G as at 31 March 2007 was HK\$5,320,000.

Based on the audited accounts of Mascotte Investments, the audited net assets of Mascotte Investments as at 31 March 2007 (“**Accounts Date**”) amounted to HK\$1,688,370 and the audited net profit before and after tax and extraordinary items of Mascotte Investments for the financial year ended on the Accounts Date amounted to HK\$1,243,341 and HK\$1,192,681 respectively. The audited net profit before and after tax and extraordinary items of Mascotte Investments for the financial year ended on 31 March 2006 amounted to HK\$2,004,302 and HK\$2,291,792 respectively. The audited carrying amount of the HK Properties as at 31 March 2007 was HK\$24,997,466.

### THE PROPERTY DISPOSAL

#### *The Property Disposal Agreement*

Date: 8 August 2007 (as amended by a supplemental agreement dated 27 September 2007, pursuant to which the latest time for fulfilling the conditions as set out below under the paragraph headed “The Property Disposal Agreement – Conditions” and the Property Disposal Completion have been extended to on or before 31 October 2007 (or such other date as may be agreed by the Property Disposal Vendor and the Property Purchaser)

Parties: (1) Mascotte Hui Zhou Limited as the Property Disposal Vendor, a wholly-owned subsidiary of the Company; and  
(2) Ms. Chan, an executive Director and the Chairperson of the Company, as the Property Purchaser

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## LETTER FROM THE BOARD

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### **Property to be disposed:**

Address: Shop Units Nos. 201, 202 and 203 on Level 2  
Glittery Plaza, No. 65 Qianjin Road  
Haizhu District, Guangzhou  
Guangdong Province, the PRC

Gross floor area: (approx.) 2,470.6 sq. m.

The PRC Property was acquired by the Group at the total consideration of HK\$22,000,000 (plus expenses of approximately HK\$500,000 incurred for the acquisition). The PRC Property comprises the entire 2nd level of a four-storey shopping arcade which forms part of a commercial/residential complex with another 3 residential buildings known as “Glittery Plaza”. Construction of the PRC Property was completed in about March 2007 and the relevant title certificates had been issued in the name of Ms. Chan, who holds the PRC Property as trustee for the Property Disposal Vendor. No revenue has been generated to the Group by the PRC Property prior to 25 August 2007, the date on which the tenancies as described below commenced in respect of Shop Unit No. 201. As at the Latest Practicable Date, Shop Units Nos. 202 and 203 remain vacant. The audited carrying amount of the PRC Property as at 31 March 2007 was RMB28,000,000.

On 25 August 2007, two tenancy agreements were entered into in respect of Shop Unit No. 201 (in respect of gross areas of 520 sq.m. and 275 sq.m. respectively) with an Independent Third Party at the aggregate rent of (i) RMB12,985 for the period from 25 August to 31 August 2007; (ii) RMB55,650 per month for the period from 1 September 2007 to 31 May 2012; and (iii) RMB25,970 for the period from 1 June to 14 June 2012.

### **Property Disposal Consideration:**

HK\$30,000,000. The Property Disposal Consideration shall be satisfied by the Property Purchaser in cash in the following manner:

- (a) upon signing of the Property Disposal Agreement, a sum of HK\$10,000,000, (being part payment of the Property Disposal Consideration) has been paid by the Property Purchaser to the Property Disposal Vendor; and
- (b) the balance of HK\$20,000,000 shall be payable on Property Disposal Completion.

The Property Disposal Consideration was determined after arm’s length negotiations between the Property Disposal Vendor and the Property Purchaser, taking into account a valuation of the market value (with regard to market comparables where possible) of an independent valuer, Chung, Chan & Associates, Chartered Surveyors, in respect of the market value of the PRC Property at RMB28,300,000 as at 30 June 2007 (on the assumption that, among other things, vacant possession will be available in the event of a sale or transfer). A valuation report of Chung, Chan & Associates, Chartered Surveyors is set out in appendix II to this circular.



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## LETTER FROM THE BOARD

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### **Conditions:**

The Property Disposal Completion is conditional upon:

- (a) the passing of the necessary resolution(s) by the Independent Shareholders in general meeting approving the Property Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules; and
- (b) all necessary waivers, consents, permits and approval (whether governmental, regulatory or otherwise, including those of the Stock Exchange) as may be required in respect of the Property Disposal Agreement and the transactions contemplated thereunder having been obtained.

If any of the conditions shall not have been satisfied on or before 31 October 2007 (or such other date as may be agreed by the Property Disposal Vendor and the Property Purchaser), the Property Disposal Agreement shall terminate and none of the parties to the Property Disposal Agreement shall have any claim whatsoever against the other party (save for any antecedent breaches of the terms thereof) provided that the Property Disposal Vendor shall return to the Property Purchaser the amount paid by it under the Property Disposal Agreement forthwith.

The Property Disposal and the Share Disposal are not inter-conditional.

### **Property Disposal Completion:**

Subject to fulfilment of the conditions set out above, Property Disposal Completion shall take place on or before 31 October 2007 (or such other date as may be agreed by the Property Disposal Vendor and the Property Purchaser).

The Property Disposal Agreement also provides that if the Property Disposal Vendor, after having received the part payment of the Property Disposal Consideration from the Property Purchaser, shall fail to complete the Property Disposal, two times of the amount of part payment shall be returned to the Property Purchaser. If the Property Purchaser shall fail to complete the Property Disposal, the Property Disposal Vendor shall be entitled to forfeit the part payment and resell the PRC Property to any other party.

If the Property Disposal Vendor shall fail to deliver the PRC Property to the Property Purchaser or if the Property Purchaser shall fail to pay the Property Disposal Consideration to the Property Disposal Vendor on the time specified in the Property Disposal Agreement, the defaulting party shall be liable to pay to the non-defaulting party a penalty equivalent to 0.05% of the total value of the PRC Property for each day of default. If such default shall last for more than 10 days, the non-defaulting party shall have the right to terminate the Property Disposal Agreement and shall be entitled to a penalty equivalent to 5% of the value of the PRC Property.

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## LETTER FROM THE BOARD

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### REASONS, USE OF PROCEEDS AND FINANCIAL EFFECTS

#### *Reasons for the Disposal and the Leaseback*

Having regard to the recent property market in Hong Kong and the PRC, the Directors (including Ms. Chan who owns 100% of the Share Purchaser and is the Property Purchaser and Ms. Wong, Dickie, the daughter of Ms. Chan and the independent non-executive Directors) consider that the Share Disposal and the Property Disposal represents a good opportunity to realize a gain for the Share Disposal and contribute to the cashflow of the Group. The executive Directors (including Ms. Chan who owns 100% of the Share Purchaser and is the Property Purchaser and Ms. Wong, Dickie, the daughter of Ms. Chan), having experience in property investment for not less than 10 years and the Group having held each of the HK Property A, the HK Property B and the HK Property D for more than 10 years, also consider that the further upside potential of the HK Property A, the HK Property B and the HK Property D (all being industrial premises) may be limited. The leaseback of these premises pursuant to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy (2) enable the Group continue using the HK Property A, the HK Property B and the HK Property D after the Share Disposal Completion on reasonable terms, thus saving time and relocation costs for the Group.

The Group has been looking for strategic investments that would bring in attractive capital gain to it in the long term and the proceeds from the Share Disposal and the Property Disposal will put the Group in a better and more flexible position to take advantage of investment opportunities should they arise. As at the Latest Practicable Date, no such investment or negotiations for any proposed investment has been identified or entered into by the Group. The Directors (including Ms. Chan who owns 100% of the Share Purchaser and is the Property Purchaser and Ms. Wong, Dickie, the daughter of Ms. Chan and the independent non-executive Directors, after having considered the advice from Veda Capital) consider that the terms of each of the Share Disposal, the Property Disposal, the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy are made on an arm's length basis, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The recommendation of the independent non-executive Directors is set out in the "Letter from the Independent Board Committee" contained in this circular.

The Company will seek the approval of the Independent Shareholders by way of a poll at the SGM on the Share Disposal and the Property Disposal.

#### *Use of proceeds from the Disposal*

The estimated net proceeds from the Share Disposal and the Property Disposal are approximately HK\$28,630,000 and HK\$29,700,000 respectively, which are intended to be applied for the general working capital and/or other investments in the future. The Company has not earmarked how much of the net proceeds will be used for working capital and for investment purposes.

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## LETTER FROM THE BOARD

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### *Financial effects of the Disposal*

The Share Disposal is expected to realize a net gain of approximately HK\$6,849,000 for the Group (taking into account the assignment of the Shareholder's Loan), being the difference between (i) the Share Disposal Consideration of HK\$29,000,000; and (ii) the estimated unaudited net asset value of Mascotte Investments as of 30 June 2007 of approximately HK\$21,781,000 (together with related costs for the Share Disposal of approximately HK\$370,000). Upon completion of the Share Disposal, the Group's assets are expected to increase by approximately HK\$6,849,000, the Group's revenue is expected to decrease by approximately HK\$192,000 for the financial year ending 31 March 2008 (assuming the Share Disposal Completion takes place on 31 October 2007) and the Group's expense is expected to increase by approximately HK\$315,000 for the financial year ending 31 March 2008, representing rental payable by the Group pursuant to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy (assuming the Share Disposal Completion takes place on 31 October 2007). Further, the Group's administrative expenses is expected to decrease by approximately HK\$840,000 for the financial year ending 31 March 2008, representing administrative expenses of Mascotte Investments.

The PRC Property was acquired by the Group at a cost of approximately HK\$22,000,000 (plus expenses of approximately HK\$500,000 incurred for the acquisition). The Property Disposal is expected to realize a net loss of approximately HK\$100,000 for the Group, being the difference between (i) the Property Disposal Consideration of HK\$30,000,000; and (ii)(1) the audited carrying amount of the PRC Property as at 31 March 2007 of RMB28,000,000; (2) the write off of approximately HK\$1.8 million pre-paid renovation costs; and (3) related costs for the Property Disposal of approximately HK\$300,000. Upon completion of the Property Disposal, the Group's assets are expected to decrease by approximately HK\$100,000. As two tenancy agreements were entered into in respect of portions of Shop Unit No. 201 effective 25 August 2007 (whilst Shop Units Nos. 202 and 203 of the PRC Property remain vacant as at the Latest Practicable Date and no revenue has been generated to the Group in respect thereof), the Group's revenue is expected to decrease by approximately HK\$278,250 for the financial year ending 31 March 2008 (assuming the Property Disposal Completion takes place on 31 October 2007).

### **RE-ELECTION OF RETIRING DIRECTOR**

Mr. Peter Temple Whitelam was appointed as an executive Director with effect from 1 August 2007. At the SGM, Mr. Whitelam will retire pursuant to the Code on Corporate Governance Practices as contained in the Listing Rules and the bye-laws of the Company, and, being eligible, offer himself for re-election as executive Director. A resolution will be proposed at the SGM to re-elect Mr. Whitelam as executive Director. Unless a poll is demanded in accordance with the procedures set out in the section headed "Procedures for demanding a Poll" below, the voting on such resolution will be taken by way of show of hands.

Mr. Whitelam, aged 78, is a specialist consultant in global branding and international communications. After graduating from Pembroke College, Oxford University, he joined the BBC before winning a Fulbright Scholarship to study educational radio and television in the United States. Following four years at NBC-TV in New York, he began a long career in advertising, creating national and international campaigns for clients such as British Airways,

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## LETTER FROM THE BOARD

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Unilever, Nabisco, ESPN, Colgate, Cadbury, General Motors, American Express, Nomura Securities, and the Bank of Montreal. Mr. Whitelam has worked as a creative strategist in Boston, New York, London, Montreal, Toronto, Tokyo and Taiwan and received international awards for his ideas. Recently he has been developing brand strategies both for companies and government agencies. This is combined with his knowledge and interest in documentary film. Mr. Whitelam has a long time acquaintance with Asia, having visited and worked in eight different countries in the Asia Pacific region.

Mr. Whitelam has entered into a letter of appointment with the Company and he is entitled to receive a director's fee of HK\$30,000 per month. The director's fee payable to him was determined with reference to his duties and responsibilities in the Company and the prevailing market conditions, as approved by the Board in accordance with the Company's remuneration policy pursuant to the authority given by the shareholders of the Company at the annual general meeting. His term of office is for a period of one year and his directorship is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. Mr. Whitelam is an independent non-executive director of Freeman Corporation Limited, a public listed company in Hong Kong. Save as disclosed above, he does not hold any other directorships in other listed public companies in the last three years prior to the date of appointment and he does not hold any other positions with the Company or its subsidiaries.

Mr. Whitelam does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO. The Board is not aware of any other matters that need to be brought to the attention of the shareholders of the Company and there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules relating to the appointment of Mr. Whitelam.

### GENERAL

The Group is principally engaged in the (i) manufacture and sale of accessories for photographic, electrical and multimedia products and (ii) property investment.

The Share Disposal and the Property Disposal, when aggregated, constitutes a major transaction for the Company under the Listing Rules. The Share Disposal and the Property Disposal will be subject to the approval of the Shareholders at the SGM.

Since the Share Purchaser is an associate of Ms. Chan and the Property Purchaser is Ms. Chan, who is an executive Director and the Chairperson of the Company and a controlling shareholder of the Company, each of the Share Disposal and the Property Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company is required to seek the approval for each of the Share Disposal Agreement and the Property Disposal Agreement from the Independent Shareholders at the SGM, where voting must be taken by way of poll. Ms. Chan, Honeyard Corporation and Ms. Wong, Dickie (an executive Director and the daughter of Ms. Chan) and their respective associates, holding, in aggregate 196,840,000 Shares (representing approximately 20.89% of the issued share capital of the Company) as of the Latest Practicable Date, will abstain from voting on the resolution(s) in relation to each of the Share Disposal Agreement and the Property Disposal Agreement at the SGM.

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## **LETTER FROM THE BOARD**

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Upon the Share Disposal Completion, Mascotte Investments will become an associate of Ms. Chan who is an executive Director and the Chairperson of the Company and a controlling shareholder of the Company. Thus, each of the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules after the Share Disposal Completion. On the basis of the aggregate fixed monthly rental of HK\$63,000 for HK Property A, HK Property B and HK Property D, the aggregate amount to be paid by the Group to Mascotte Investments under the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy for each of the 2 years commencing from 16 July 2007 will be both HK\$756,000, resulting in the applicable percentage ratios being more than 0.1% but less than 2.5%. Pursuant to Rule 14A.33 of the Listing Rules, the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy are exempt from the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

### **SGM**

The SGM Notice is set out on pages 61 to 62 of this circular. The Ordinary Resolutions will be proposed at the SGM for the purpose of approving (i) the Share Disposal; (ii) the Property Disposal; and (iii) the re-election of executive Director.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof in person if you so wish.

### **PROCEDURES FOR DEMANDING A POLL**

It is stated in bye-law 66 of the Bye-laws of the Company that a resolution put to the vote of a meeting shall be decided on a show of hands unless (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 duly demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by 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 attend and vote at the meeting; or

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## LETTER FROM THE BOARD

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- (d) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up 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 Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. or more of the total voting rights of all members having the right to vote at the meeting.

At the SGM, the Ordinary Resolutions for the Share Disposal and the Property Disposal will be voted by way of poll.

### RECOMMENDATION

The Directors (including Ms. Chan who owns 100% of the Share Purchaser and is the Property Purchaser and Ms. Wong, Dickie, the daughter of Ms. Chan and the independent non-executive Directors, after having considered the advice from Veda Capital) consider that the terms of each of the Share Disposal, and the Property Disposal are made on an arm's length basis, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the Ordinary Resolutions to be proposed at the SGM to approve the Share Disposal and the Property Disposal and the transactions contemplated thereunder. The Board also recommends that the Shareholders to vote in favour of the Ordinary Resolution to be proposed at the SGM to approve the re-election of Mr. Peter Temple Whitelam as executive Director.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 21 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Share Disposal and the Property Disposal and the transactions contemplated thereunder; and (ii) the letter from Veda Capital set out on pages 22 to 34 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Share Disposal and the Property Disposal and the transactions contemplated thereunder and the principal factors considered by Veda Capital in arriving at its recommendation.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices.

Yours faithfully,  
For and on behalf of the Board of  
**Mascotte Holdings Limited**  
**Mr. Lam Yu Ho, Daniel**  
*Executive Director*



**MASCOTTE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0136)**

28 September 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS  
DISPOSAL OF 100% INTEREST IN A COMPANY  
HOLDING PROPERTIES IN HONG KONG  
AND PROPERTIES IN THE PRC**

We refer to the circular of the Company to the Shareholders dated 28 September 2007 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them in the section headed “Definitions” of the Circular.

We, being the independent non-executive directors of the Company, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of each of the Share Disposal Agreement and the Property Disposal Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter from Veda Capital, the independent financial adviser appointed, as set out on pages 22 to 34 of the Circular and the letter from the Board as set out on pages 6 to 20 of the Circular.

Having considered the principal factors and reasons set out in the letter from Veda Capital, we consider that the Share Disposal Agreement (including the Leaseback) and the Property Disposal Agreement and the transactions contemplated thereunder are made on an arm’s length basis, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and that the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the Ordinary Resolutions to be proposed at the SGM to approve the Share Disposal Agreement and the Property Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

**Mr. Wong Yui Leung, Larry**

**Mr. Lui Wai Shan, Wilson**

**Mr. Cheung Ngai Lam**

**Mr. Chan Sze Hung**

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## LETTER FROM VEDA CAPITAL

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*The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*

### VEDA | CAPITAL 智略資本

#### Veda Capital Limited

Suite 809, 8th Floor, Shui On Centre,  
8 Harbour Road, Wanchai, Hong Kong

28 September 2007

*To the Independent Board Committee  
and the Independent Shareholders of  
Mascotte Holdings Limited*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTIONS  
DISPOSAL OF 100% INTEREST IN A COMPANY  
HOLDING PROPERTIES IN HONG KONG  
AND PROPERTIES IN THE PRC  
AND  
CONTINUING CONNECTED TRANSACTIONS**

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Share Disposal Agreement, the Property Disposal Agreement, the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy and the Independent Shareholders in relation to the Share Disposal Agreement and the Property Disposal, details of which are set out in the letter from the Board (the “Board Letter”) contained in this circular (the “Circular”) dated 28 September 2007 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

It was stated in the announcement of the Company dated 8 August 2007 that on 8 August 2007, (i) Mascotte Group Limited (a wholly owned subsidiary of the Company) entered into the Share Disposal Agreement with the Share Purchaser, pursuant to which Mascotte Group Limited agreed to dispose of, among other things, the entire issued share capital of Mascotte Investments with voting right to the Share Purchaser at a cash consideration of HK\$29,000,000; and (ii) Mascotte Hui Zhou Limited (a wholly owned subsidiary of the Company) entered into the Property Disposal Agreement with the Property Purchaser, pursuant to which Mascotte Hui Zhou Limited agreed to dispose of the PRC Property to the Property



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## LETTER FROM VEDA CAPITAL

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Purchaser at a cash consideration of HK\$30,000,000. The Share Disposal Agreement and the Property Disposal Agreement were amended by the respective supplemental agreements both dated 27 September 2007, pursuant to which the latest time for fulfilling the conditions as set out in the section headed “Conditions” below, the Share Disposal Completion and the Property Disposal Completion have been extended to or before 31 October 2007 (or such other date as may be agreed by parties thereof).

The Share Disposal and the Property Disposal, when aggregated, constitutes a major transaction for the Company under the Listing Rules. The Share Disposal and the Property Disposal will be subject to the approval of the Shareholders at the SGM. Each of the Share Disposal and the Property Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the approval of the Independent Shareholders at the SGM.

The Group will continue to use the HK Property A, the HK Property B and the HK Property D after the Share Disposal Completion pursuant to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy. Each of the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules after the Share Disposal Completion. Pursuant to Rule 14A.33 of the Listing Rules and subject to the final view of the independent non-executive Directors after reviewing our letter of advice, the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy are exempt from the reporting, announcement and Independent Shareholders’ approval requirements of the Listing Rules.

The Independent Board Committee has been established to advise whether the Share Disposal and the Property Disposal are in the interests of the Company and the Independent Shareholders as a whole. The Independent Board Committee, comprising the independent non-executive Directors, namely Mr. Wong Yui Leung, Larry, Mr. Lui Wai Shan, Wilson, Mr. Cheung Ngai Lam and Mr. Chan Sze Hung, which is not involved in or has no interest in the Share Disposal, the Property Disposal, the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy and thus being independent, has been established. The Independent Board Committee will advise the Independent Shareholders in respect of the Share Disposal and the Property Disposal. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Share Disposal and the Property Disposal are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of the relevant resolutions to approve the Share Disposal and the Property Disposal. Veda Capital has also been appointed to advise the Independent Board Committee in relation to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy.

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## LETTER FROM VEDA CAPITAL

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### **BASIS OF OUR ADVICE**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true at the date of the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the Share Disposal, the Property Disposal, the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy and in giving our recommendations to the Independent Board Committee and the Independent Shareholders (as the case may be), we have taken into account the following principal factors and reasons:

#### **A. Reasons for the Share Disposal, Property Disposal and the Leaseback**

The Group is principally engaged in the (i) manufacture and sale of accessories for photographic, electrical and multimedia products and (ii) property investment.

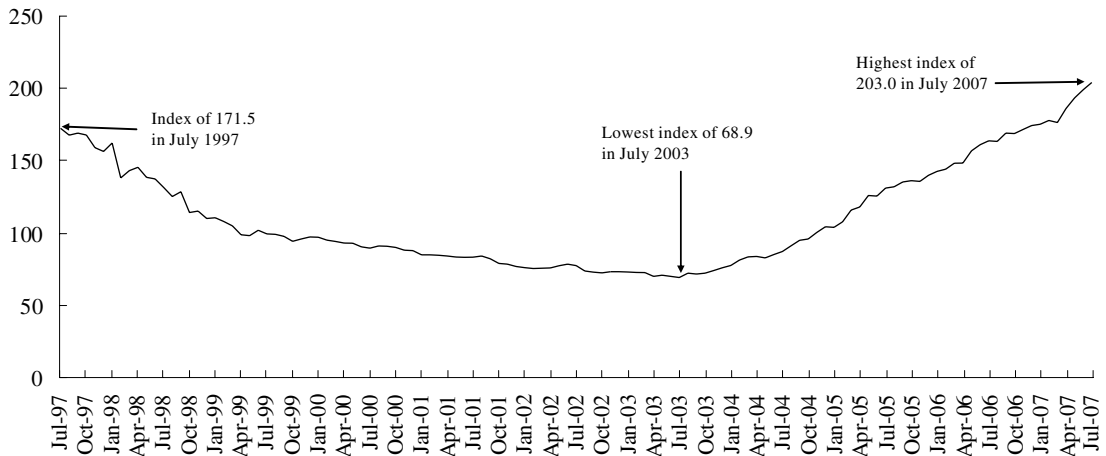
As stated in the Board Letter, having regard to the recent property market in Hong Kong and the PRC, the executive Directors (including Ms. Chan who owns 100% of the Share Purchaser and is the Property Purchaser and Ms. Wong, Dickie, the daughter of Ms. Chan) consider that the Share Disposal and the Property Disposal represents a good opportunity to realize a gain for the Share Disposal and contribute to the cashflow of the Group. The executive Directors (including Ms. Chan who owns 100% of the Share Purchaser and is the Property Purchaser and Ms. Wong, Dickie, the daughter of Ms. Chan), having experience in property investment for not less than 10 years and the Group having held each of the HK Property A, the HK Property B and the HK Property D for more than 10 years, also consider that the further upside potential of the HK Property A, the HK Property B and the HK Property D (all being industrial premises) may be limited.

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## LETTER FROM VEDA CAPITAL

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### 10-year Price Index for Private Flatted Factories (1999 = 100)



Source: website of Rating and Valuation Department of the Government of Hong Kong

With the majority of the HK Properties being located in private flatted factories, based on the information obtained from the website of Rating and Valuation Department of the Hong Kong Government, we plotted the graph above showing the price index for private flatted factories in Hong Kong over 10 years from July 1997 to July 2007 with the base index of 100 set at 1999. As can be seen from the graph above, the price index for private flatted factories has decreased from a level of 171.5 in July 1997 to the lowest index of 68.9 in July 2003, from which onwards, the price index gradually climbed to the latest index available and also the highest index during the last 10 years of 203.0 in July 2007. Given the price index of the private flatted factories has been on a continuous upward trend for 4 years, we concur with the Directors that Share Disposal represents a good opportunity to realize a gain for the HK Properties.

The leaseback of the HK Property A, the HK Property B and the HK Property D pursuant to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy respectively enable the Group to continue using the HK Property A, the HK Property B and the HK Property D after the Share Disposal Completion on reasonable terms, we concur with the Directors that such arrangements could save time and relocation costs for the Group.

As stated in the Board Letter, the Group has been looking for strategic investments that would bring in attractive capital gain to it in the long term and the proceeds from the Share Disposal and the Property Disposal will put the Group in a better and more flexible position to take advantage of investment opportunities should they arise. As at the Latest Practicable Date, the Directors confirmed that no such investment or negotiations for any proposed investment has been identified or entered into by the Group.

**B. Major and connected transactions**

**(1) Conditions**

*Share Disposal Agreement*

The Share Disposal Completion is conditional upon:

- (a) the passing of the necessary resolution(s) by the Independent Shareholders in general meeting approving the Share Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules; and
- (b) all necessary waivers, consents, permits and approval (whether governmental, regulatory or otherwise, including those of the Stock Exchange) as may be required in respect of the Share Disposal Agreement and the transactions contemplated thereunder having been obtained.

If any of the conditions shall not have been satisfied on or before 31 October 2007 (or such other date as may be agreed by the Share Disposal Vendor and the Share Purchaser), the Share Disposal Agreement shall terminate and none of the parties to the Share Disposal Agreement shall have any claim whatsoever against the other party (save for any antecedent breaches of the terms thereof) provided that the Share Disposal Vendor shall return to the Share Purchaser the amount paid by it under the Share Disposal Agreement forthwith. We concur with the Directors that the conditions of the Share Disposal Agreement are in normal commercial terms and fair and reasonable to the Company and the Independent Shareholders.

*Property Disposal Agreement*

The Property Disposal Completion is conditional upon:

- (a) the passing of the necessary resolution(s) by the Independent Shareholders in general meeting approving the Property Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules; and
- (b) all necessary waivers, consents, permits and approval (whether governmental, regulatory or otherwise, including those of the Stock Exchange) as may be required in respect of the Property Disposal Agreement and the transactions contemplated thereunder having been obtained.

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## LETTER FROM VEDA CAPITAL

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If any of the conditions shall not have been satisfied on or before 31 October 2007 (or such other date as may be agreed by the Property Disposal Vendor and the Property Purchaser), the Property Disposal Agreement shall terminate and none of the parties to the Property Disposal Agreement shall have any claim whatsoever against the other party (save for any antecedent breaches of the terms thereof) provided that the Property Disposal Vendor shall return to the Property Purchaser the amount paid by it under the Property Disposal Agreement forthwith. We concur with the Directors that the conditions of the Property Disposal Agreement are in normal commercial terms and fair and reasonable to the Company and the Independent Shareholders.

The Property Disposal Agreement also provides that if the Property Disposal Vendor, after having received the part payment of the Property Disposal Consideration from the Property Purchaser, shall fail to complete the Property Disposal, two times of the amount of part payment shall be returned to the Property Purchaser. If the Property Purchaser shall fail to complete the Property Disposal, the Property Disposal Vendor shall be entitled to forfeit the part payment and resell the PRC Property to any other party. If the Property Disposal Vendor shall fail to deliver the PRC Property to the Property Purchaser or if the Property Purchaser shall fail to pay the Property Disposal Consideration to the Property Disposal Vendor on the time specified in the Property Disposal Agreement, the defaulting party shall be liable to pay to the non-defaulting party a penalty equivalent to 0.05% of the total value of the PRC Property for each day of default. If such default shall last for more than 10 days, the non-defaulting party shall have the right to terminate the Property Disposal Agreement and shall be entitled to a penalty equivalent to 5% of the value of the PRC Property. We consider the above arrangement under the Property Disposal Agreement are in normal commercial terms and fair and reasonable to the Company and the Independent Shareholders.

The Share Disposal and Property Disposal are not inter-conditional.

### (2) *Consideration*

#### *Share Disposal Agreement*

(i) 1,000 ordinary shares of HK\$1 each in the capital of Mascotte Investments, representing 100% of the issued share capital with voting right of Mascotte Investments; and (ii) all amounts of loans due from Mascotte Investments to the Share Disposal Vendor as at Share Disposal Completion (estimated to be approximately HK\$27.2 million as at Share Disposal Completion) will be disposed of by the Share Disposal Vendor at the Share Disposal Consideration of HK\$29,000,000. The Share Disposal Consideration was determined after arm's length negotiations between the Share Disposal Vendor and the Share Purchaser, taking into account a valuation of an independent valuer, Chung, Chan & Associates, Chartered Surveyors in respect of the market value of the HK Properties at HK\$28,590,000 as at 30 June 2007. As at Share Disposal Completion, the HK Properties will be the only material assets held by Mascotte Investments.

## LETTER FROM VEDA CAPITAL

Mascotte Investments is principally engaged in holdings of investment properties and the principal assets of Mascotte Investments comprise the HK Properties as follows:

Property	Address	Type of building and saleable area (sq. ft.)	Current usage	Current monthly rental (HK\$)	Valuation as at 30 June 2007 (HK\$)	Valuation as at 16 July 2007 (HK\$)	Audited carrying amount as at 31 March 2007 (HK\$)
HK Property A	Units A&B on 1st Floor and Car Parking Spaces Nos. 1, 2 and 3 on Ground Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong	Private flatted factory 8,835	Used by the Group as head office, showroom and principal place of business in Hong Kong under Po Chai Building Tenancy (1)	38,000	7,000,000 (Note 1)	6,900,000 (Note 4)	5,735,558
HK Property B	Unit B on 7th Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong	Private flatted factory 2,912	Used by the Group as warehouse under Po Chai Building Tenancy (2)	10,000	1,895,000 (Note 1)	1,860,000 (Note 5)	1,785,698
HK Property C	Unit A on Ground Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong	Private flatted factory 3,800	Leased to an Independent Third Party	30,700	3,790,000 (Note 3)	Not applicable	3,750,000
HK Property D	Unit A on 1st Floor, Wo Fung Industrial Building, No. 2 Yip Wo Street, Fanling, New Territories, Hong Kong	Private flatted factory 6,219	Used as the Group's branch office under Wo Fung Building Tenancy	15,000	2,980,000 (Note 1)	2,900,000 (Note 6)	2,503,816
HK Property E	2 residential units in the South Horizons, Hong Kong	Residential Not applicable	Used as staff quarter. On completion of the Share Disposal, the HK Property E will cease to be staff quarter and the Group will have no leaseback of the Property E from Mascotte Investments	Rent free	6,960,000 (Note 2)	Not applicable	5,307,394

## LETTER FROM VEDA CAPITAL

Property	Address	Type of building and saleable area (sq. ft.)	Current usage	Current monthly rental (HK\$)	Valuation as at 30 June 2007 (HK\$)	Valuation as at 16 July 2007 (HK\$)	Audited carrying
							amount as at 31 March 2007 (HK\$)
HK Property F	Workshop No. 7 on 18th Floor, Harbour Industrial Centre, No. 10 Lee Hing Street, Hong Kong	Private flatted factory 1,145	Leased to an Independent Third Party	3,200	600,000 (Note 3)	Not applicable	595,000
HK Property G	Shop Space No. S18 & S97 on 2nd Floor, Red Mall of Malahon Apartment, No. 509 Jaffe Road, Hong Kong	Retail 95	Leased to an Independent Third Party	33,308	5,365,000 (Note 3)	Not applicable	5,320,000
Total					28,590,000		24,997,466

*Notes:*

1. Valuation on the assumption that, among other things, there is no leaseback, which would serve to increase the values of the properties and vacant possession, will be available in the event of a sale.
2. Valuation on the assumption that, among other things, vacant possession will be available in the event of a sale.
3. Valuation at the as if conditions, including the availability of the respective leasing agreements.
4. The valuation of the HK Property A subject to the Po Chai Building Tenancy (1) as at 16 July 2007, being the commencement date of the Po Chai Building Tenancy (1), is at HK\$6,900,000, and the valuer is of the opinion that the rental is slightly lower than market rent.
5. The valuation of the HK Property B subject to the Po Chai Building Tenancy (2) as at 16 July 2007, being the commencement date of the Po Chai Building Tenancy (2), is at HK\$1,860,000, and the valuer is of the opinion that the rental is slightly lower than market rent.
6. The valuation of the HK Property B subject to the Wo Fung Building Tenancy as at 16 July 2007, being the commencement date of the Wo Fung Tenancy, is at HK\$2,900,000, and the valuer is of the opinion that the rental is slightly lower than market rent.

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## LETTER FROM VEDA CAPITAL

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Given the Share Disposal Consideration of HK\$29,000,000 represents:

- (i) a premium of approximately 1.43% over the aggregate of the valuation of the market value of the HK properties as at 30 June 2007 of HK\$28,590,000 as conducted by an independent valuer with details stated in Appendix II to the Circular;
- (ii) a premium of approximately 2.20% over the aggregate of the valuation of the market value of the HK properties as at 30 June 2007 (except for the HK Property A, the HK Property B and the HK Property D, which were valued as at 16 July 2007) of HK\$28,375,000 as conducted by an independent valuer with details stated in Appendix II to the Circular;
- (iii) a premium of approximately 16.01% over the aggregate of the audited carrying amount of the HK Properties of HK\$24,997,466 as at 31 March 2007; and
- (iv) a premium of approximately 30.92% over the estimated unaudited net asset value of Mascotte Investments as of 30 June 2007 of approximately HK\$21,781,000 (together with related costs for the Share Disposal of approximately HK\$370,000),

we consider that the Share Disposal Consideration is fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

### *Property Disposal Agreement*

The PRC Property was disposed of by the Group at a cash consideration of HK\$30,000,000. Details of the PRC Property are set out below:

Address of the PRC Property:	Shop Units Nos. 201, 202 and 203 on Level 2 Glittery Plaza, No. 65 Qianjin Road, Haizhu District, Guangzhou, Guangdong Province, the PRC
Gross floor area:	approximately 2,470.6 sq. m.
Consideration at acquisition by the Group:	HK\$22,000,000 (plus expenses of approximately HK\$500,000 incurred for the acquisition)



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## LETTER FROM VEDA CAPITAL

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Current usage: Two tenancy agreements were entered into in respect of Shop Unit No. 201 with an Independent Third Party on 25 August 2007

Shop Units Nos. 202 and 203 remain vacant

Revenue generated to the Group: No revenue has been generated prior to 25 August 2007

Aggregate monthly rental of RMB55,650

Audited carrying amount as at 31 March 2007: RMB28,000,000

Valuation as at 30 June 2007: RMB28,300,000

*Note: Assuming RMB1 = HK\$1*

Given the Property Disposal Consideration of HK\$30,000,000 represents:

- (i) a premium of approximately 6% over the valuation of the market value of the PRC Property of HK\$28,300,000 as conducted by an independent valuer with details stated in Appendix II to the Circular; and
- (ii) a slight discount of approximately 0.33% to the aggregate amount of approximately HK\$30,100,000 of (1) the audited carrying amount of the PRC Property as at 31 March 2007 of RMB28,000,000; (2) the write off of approximately HK\$1.8 million pre-paid renovation costs; and (3) related costs for the Property Disposal of approximately HK\$300,000,

we consider that the Property Disposal Consideration is fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

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## LETTER FROM VEDA CAPITAL

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### **C. Continuing Connected Transactions**

According to the Hong Kong Property Review – Monthly Supplement of September 2007 obtained from the website of Rating and Valuation Department of the Hong Kong Government, the yield for flatted factories in Hong Kong in July 2007 was approximately 6.5%. The leaseback of the HK Property A, the HK Property B and the HK Property D pursuant to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy respectively were entered into on 12 July 2007 for a term of 2 years commencing from 16 July 2007 with monthly rentals of HK\$38,000, HK\$10,000 and HK\$15,000 respectively. Based on the valuation of market value of the HK Property A, the HK Property B and the HK Property D as at 30 June 2007 of HK\$7,000,000, HK\$1,895,000 and HK\$2,980,000 respectively, the yield on the respective rentals are approximately 6.51%, 6.33% and 6.04% accordingly. The yield of the aggregate annual rentals of the HK Property A, the HK Property B and the HK Property D of HK\$756,000 on the aggregate market valuations as at 30 June 2007 of the HK Property A, the HK Property B and the HK Property D of HK\$11,875,000 is approximately 6.37%, which is slightly lower than the yield for flatted factories in Hong Kong in July 2007 of approximately 6.5%. Further, as stated in Appendix II to the Circular, the valuer is of the opinion that the rentals for the HK Property A, the HK Property B and the HK Property D are slightly lower than market rent. Based on the above, we consider that the rental value of the HK Property A, the Hong Kong Property B and the HK Property D are fair and reasonable.

The HK Property A is currently used by the Group as its head office, showroom and principal place of business in Hong Kong. The HK Property B is currently used by the Group as warehouse while the HK Property D is currently used as the Group's branch office and warehouse. The leaseback of these properties pursuant to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy enable the Group continue using the HK Property A, the HK Property B and the HK Property D after the Share Disposal Completion on reasonable terms, thus saving time and relocation costs for the Group.

### **D. Financial effects on the Group**

#### **(1) Earnings**

The Share Disposal is expected to realize a net gain of approximately HK\$6,849,000 for the Group (taking into account the assignment of the Shareholder's Loan), being the difference between (i) the Share Disposal Consideration of HK\$29,000,000; and (ii) the estimated unaudited net asset value of Mascotte Investments as of 30 June 2007 of approximately HK\$21,781,000 (together with related costs for the Share Disposal of approximately HK\$370,000). The Group's revenue is expected to decrease by approximately HK\$192,000 for the financial year ending 31 March 2008 (assuming the Share Disposal Completion takes place on 31 October 2007) and the Group's expense is expected to increase by approximately

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## LETTER FROM VEDA CAPITAL

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HK\$315,000 for the financial year ending 31 March 2008, representing rental payable by the Group pursuant to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy (assuming the Share Disposal Completion takes place on 31 October 2007). Further, the Group's administrative expenses is expected to decrease by approximately HK\$840,000 for the financial year ending 31 March 2008, representing administrative expenses of Mascotte Investments.

The Property Disposal is expected to realize a net loss of approximately HK\$100,000 for the Group, being the difference between (i) the Property Disposal Consideration of HK\$30,000,000; and (ii)(1) the audited carrying amount of the PRC Property as at 31 March 2007 of RMB28,000,000; (2) the write off of approximately HK\$1.8 million pre-paid renovation costs; and (3) related costs for the Property Disposal of approximately HK\$300,000. The Group's revenue is expected to decrease by approximately HK\$278,250 for the financial year ending 31 March 2008 (assuming the Share Disposal Completion takes place on 31 October 2007), representing rental receivable from the PRC Property.

### **(2) *Net assets value***

Upon completion of the Share Disposal, the net assets value of the Group is expected to increase by approximately HK\$6,849,000 while upon completion of the Property Disposal, the net assets value of the Group is expected to decrease by approximately HK\$100,000. The net effect is an increase of approximately HK\$6,749,000 in net assets value of the Group.

### **(3) *Net cash flow***

The estimated net proceeds from the Share Disposal and the Property Disposal are approximately HK\$28,630,000 and HK\$29,700,000 respectively, which are intended to be applied for the general working capital and/or other investments in the future. The net cash flow of the Group will thus increase by approximately HK\$58,330,000.

Having considered the increase in net cash flow and net asset value of the Group, we consider that the increase in the expense of Group arisen from the rentals payments pursuant to the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy to be acceptable in so far as the Company and the Independent Shareholders are concerned.

## **E. Recommendations**

Taking into consideration of the above mentioned principal factors and reasons, we consider that, on balance, the terms of the Share Disposal Agreement, the Property Disposal Agreement and the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of Share Disposal Agreement, the Property Disposal Agreement and the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the

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## LETTER FROM VEDA CAPITAL

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Wo Fung Building Tenancy were entered into upon normal commercial terms and in the ordinary and usual course of business of the Group. We recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolutions to be proposed at the SGM to approve the Share Disposal Agreement and the Property Disposal Agreement.

Yours faithfully,

For and on behalf of

**Veda Capital Limited**

**Hans Wong**

*Managing Director*

**Julisa Fong**

*Executive Director*

**1. INDEBTEDNESS**

At the close of business on 31 July 2007, being the latest practicable date prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$60 million (of which approximately HK\$39 million was secured by fixed charges on certain of the Group's properties) representing short and long term loans and trust receipt loans. In addition, the Group had outstanding at that date obligations under hire purchase contracts and finance leases of approximately HK\$0.2 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 July 2007 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors confirm that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 July 2007.

**2. MATERIAL CHANGES**

Save as disclosed above, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date of which the latest published audited financial statement of the Group were made up.

**3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group including the proceeds from the Share Disposal and the Property Disposal and its internally generated funds and assuming that the existing banking facilities of the Group will not be withdrawn, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

**4. FINANCIAL AND TRADING PROSPECTS**

The Group continues to focus on new revenue channels within the Group's core business of accessories for photographic, multimedia and electrical products. The demand for digital SLR camera bags has outpaced the forecasts of the market and allowed the Group not only to maintain a sustainable turnover in the photographic area but achieve an increase with the Group's historical core customer base. At Photokina, the number one trade show for photographic accessories held every 2 years in Cologne, Germany, in September 2006, the Group was able to not only introduce new models to its existing customer base but also open new accounts in the photographic accessories sector. The Group continues to foster its relationships with electronic and multimedia technology partners such as Eleksen ([www.eleksen.com](http://www.eleksen.com)) and NXT ([www.nxtplc.com](http://www.nxtplc.com)). A presence at the Consumer Electronic Show

in Las Vegas in January 2007 and the Hong Kong Electronic Shows in April and October has helped to foster the percentage growth in the multimedia and electrical accessories business for traditional cut and sew, as well as convergence products.

Europe is expected to continue to be the Group's largest market. The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this very huge market. The Group continues to focus on the prospects of increasing its market share in the US. The Group continues to invest conservatively in innovative R&D for wearable electronics as well as exploring a relationship with revolutionary solar technology for the use in bags, an area in which the Group holds China patents. This will further expand the Group's knowledge in wearable electronics and convergence products. Keeping costs tight and concentrating on its core competencies, the Group seeks to further expand its market penetration both in electronic and multimedia accessories over the coming year.

Following the acquisition completion of a PRC 20-storey commercial office building located in Guangzhou, PRC on 24 July 2006, it is expected that the acquisition will contribute positively to the operating results of the Group in future years.

The Group has been looking for strategic investments that would bring in attractive capital gain to it in the long term and it is expected that the proceeds from the Share Disposal and the Property Disposal will put the Group in a better and more flexible position to take advantage of investment opportunities should they arise. As at the Latest Practicable Date, no such investment or negotiations for any proposed investment has been identified or entered into by the Group.

**Chung, Chan  
& Associates**

Chartered Surveyors

Valuers of all types of Property, Business and Assets,  
Plant, Machinery and Equipment  
Professional Real Estate Advisers衡  
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28 September 2007

The Directors

Mascotte Holdings Limited

1st Floor, Po Chai Industrial Building

28 Wong Chuk Hang Road

Aberdeen

Hong Kong

Dear Sirs,

**Re: Valuation of property interests of Mascotte Holdings Limited in Hong Kong and the People's Republic of China.**

In accordance with your instructions to value the property interests held by Mascotte Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in Hong Kong and the People’s Republic of China (the “PRC”), we have carried out inspections, made relevant enquiries and have obtained such further information as we consider necessary for the purpose of providing you with our opinions of the capital value of the properties as at 30 June 2007 (the “date of valuation”) for inclusion in the circular of the Company dated 28 September 2007. Our valuations undertaken herein are in compliance with Chapter 5 and Practice Note 12 of the Listing Rules.

Our valuation of each of the above property interests is our opinion of the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuations have been made on the assumption that the owners sell the property interests on the market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the properties. In addition, no account is taken of any option or pre-emptive right relating to or affecting the sale of the properties and no forced sale in any form in respect of the properties has been assumed in our valuations.

In valuing property interest no. 3, the Government lease of which expired on 30 June 1997, we have taken account of the stipulation contained in Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance, 1988 that such a lease may be extended without premium until 30 June 2047 and that an annual rent of three per cent of the rateable value will be charged annually from the date of extension.

As at 30 June 2007, properties nos. 1 to 5 are owner-occupied whilst properties nos. 6 to 9 are tenanted. The remaining property, i.e. property no. 10 is, as at the date of valuation, vacant. However, properties nos. 1, 2 and 3 have, since 16 July 2007, been subject to sale and leaseback arrangements, particulars of which are stated in the valuation certificates in respect of these three properties. Accordingly those properties which are owner-occupied or vacant have been valued on the basis of their market values on the assumption that vacant possession will be available in the event of a sale whilst those properties which are tenanted or subject to sale and leaseback arrangements have been valued on the basis of their market values by capitalisation of the net income which are derived from the tenancies with allowance given for outgoings and, where appropriate, provisions made for reversionary income potential and having regard to market comparables wherever possible.

However, we would advise that as properties nos. 1, 2 and 3 are subject to leaseback arrangements after the date of valuation of 30 June 2007, we consider it appropriate to express our opinion on the market values of these three properties as at 16 July 2007 which is the date of commencement of the leaseback arrangements. Our opinions of value of the respective properties are shown in Note 2 in each of the valuation certificates in respect of the properties.

We are advised that a portion of property no. 10, i.e. Units A1 and A2 which have respective gross floor areas of 520 sq.m. and 275 sq.m., and which form part of Unit 201 on Level 2 of Glittery Plaza in Guangzhou, are subject to leases commencing on 25 August 2007 and expiring on 14 June 2012. The terms of the leases in respect of the aforementioned two units are as follows:

<b>Unit</b>	<b>Gross Floor Area (sq.m.)</b>	<b>Rent (RMB)</b>	<b>Lease Term</b>
A1	520	8,493	25-08-2007 to 31-08-2007
		36,400	01-09-2007 to 31-05-2012
		16,987	01-06-2012 to 14-06-2012
A2	275	4,492	25-08-2007 to 31-08-2007
		19,250	01-09-2007 to 31-05-2012
		8,983	01-06-2012 to 14-06-2012



We have relied to a considerable extent on information given by the Group and have accepted advice given to us in relation to planning approvals or statutory notices, easements, tenure, completion dates of construction of the buildings, Certificates of Real Estate Ownership, particulars of occupancy including tenancy details, floor areas, site area and other relevant matters.

With regard to the property interests in Hong Kong, (i.e. properties nos. 1 to 9), we have not been provided with copies of title and other documents relating to the properties but we have caused searched to be made at the Land Registry. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any lease amendments which do not appear on the copies provided to us.

As regards the property interest in the PRC, (i.e. property no. 10), we have relied to a considerable extent on information provided to us by the Group. Whilst the majority of the documents show the ownership of the property, we however, have not inspected the original documents to verify ownership or to ascertain the existence of any lease amendments which do not appear on the copies provided to us.

All copies of documents relating to the property interests have been used as reference only. All dimensions, measurements and areas including floor areas and site area, as stated in our valuation certificate, are approximate and are based on information provided to us by the Group. Also, all floor areas and site area as shown on the copies of documents or from information supplied to us by the Group are assumed to be correct. No on-site measurements have been taken or carried out to determine the floor areas of the properties or to verify their correctness.

In preparing our valuation of the property in the PRC, (i.e. property no. 10), we have assumed that the land use right of the property is transferable and that unless otherwise stated, any premium payable has already been fully paid or will be fully paid. We have also assumed that all approvals, consents, certificates, permits and licences from the relevant Government authorities for the property have been or will be granted without any onerous conditions or undue delay which might affect the value of the property. We have relied on advice given by the Group which has advised us that it has sought legal advice from its legal advisers on PRC law, 廣東恒益律師事務所 (GFE Law Office), regarding the legality and validity of the various agreements and documents relating to the property and the interest of the Group in the property. For the purpose of our valuation, we have assumed that the title in respect of the property, whether vested in the Group or pending, is legally enforceable.

We have also assumed that the Group has free and uninterrupted rights to use, assign, transfer, lease or mortgage the property in the PRC for the unexpired term of the granted lease and that all costs relating to the acquisition of the property have been paid in full.

All the information provided to us by the Group, which are pertinent to our valuation, are believed to be true and accurate and it is assumed that no material facts have been omitted from the information supplied.

We are instructed to express our opinions on the market value of the property interests and in the capacity of an external valuer, we have not undertaken any building survey to report on the condition or state of repair of the properties although in the course of our inspections, we did not note any serious defects. However, we must advise that we cannot express an opinion about or give advice on the condition of the uninspected parts of the properties or report on whether or not those parts of the properties which are concealed, unexposed or inaccessible are free of rot, infestation or other structural defects, whether latent or otherwise. For the purpose of our valuation, the aforesaid parts of the properties are assumed to be in a good state of repair and condition and this report should not be construed as making any implied representation or statement about the condition of such parts. None of the services in respect of the properties has been tested.

We have not arranged for any investigation to be conducted or tests to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the buildings accommodating the properties or forming parts of the properties, or whether such materials have since been incorporated, and we are therefore unable to report that the buildings are free from such risk. However, for the purpose of our valuation, we have assumed that should such an investigation be carried out it would not reveal the presence of any such materials to any significant extent.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests and neither has any allowance been made for any liability to taxation on sale or any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In accordance with your instructions, we are required to express our opinions on the market values of all of the property interests in their respective local currencies, and that is Hong Kong Dollars for those properties in Hong Kong and in Renminbi for the property in the PRC.

We attach herewith a summary of values and our valuation certificate.

Yours faithfully,  
**CHUNG, CHAN & ASSOCIATES**  
**Peter C. K. Chung**  
**FRICS FHKIS MIS(M) PDABV**

*Note:* Mr. Peter Chung is a Chartered Surveyor, a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Hong Kong Institute of Surveyors, and has been conducting professional valuations of property and other assets as well as providing professional advisory work in Hong Kong, mainland China, the Asia Pacific region, Europe and America for over 25 years. He has about 15 years experience in the valuation of properties in the PRC.

## SUMMARY OF VALUES

Property	Classification of Property	Market value in existing state as at 30 June 2007 (HK\$)
1. Units A and B on 1st Floor and Car Parking Spaces Nos. 1, 2 and 3 on Ground Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong	Property held for owner-occupation	7,000,000
2. Unit B on 7th Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong	Property held for owner-occupation	1,895,000
3. Workshop A on 1st Floor, Wo Fung Industrial Building, No. 2 Yip Wo Street, Fanling, New Territories, Hong Kong	Property held for owner-occupation	2,980,000
4. Flat A on 3rd Floor of Tower 7 (Yee Mei Court), South Horizons, No. 7 South Horizon Drive, Hong Kong	Property held for owner-occupation	3,480,000
5. Flat B on 3rd Floor of Tower 7 (Yee Mei Court), South Horizons, No. 7 South Horizon Drive, Hong Kong	Property held for owner-occupation	3,480,000
6. Unit A on Ground Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong	Property held for investment	3,790,000

<b>Property</b>	<b>Classification of Property</b>	<b>Market value in existing state as at 30 June 2007 (HK\$)</b>
7. Workshop No. 7 on 18th Floor, Harbour Industrial Centre, No. 10 Lee Hing Street, Hong Kong	Property held for investment	600,000
8. Shop Space No. S97 on 2nd Floor, Red Mall of Malahon Apartments, No. 509 Jaffe Road, Hong Kong	Property held for investment	2,895,000
9. Shop Space No. S18 on 2nd Floor, Red Mall of Malahon Apartments, No. 509 Jaffe Road, Hong Kong	Property held for investment	2,470,000
10. Shop Units 210, 202 and 203, Level 2, Glittery Plaza, No. 65 Qianjin Road, Haizhu District, Guangzhou, Guangdong Province, People's Republic of China	Property held for investment	RMB28,300,000

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
1. Units A and B on 1st Floor and Car Parking Spaces Nos. 1, 2 and 3 on Ground Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong.  29/358 parts or shares of and in Aberdeen Inland Lot No. 348.	<p>The property comprises two adjoining industrial units on the first floor of a 16-storey industrial development and three car spaces on the ground floor.</p> <p>The building has a frontage to Wong Chuk Hang Road whilst the rear of the building abuts Heung Yip Street, a secondary access road. The building is believed to have been built in 1975 or thereabouts.</p> <p>The total saleable area of the aforementioned two units is approximately 820.79 sq.m. (8,835 sq.ft.).</p> <p>The property is held under Conditions of Sale No. 9600 for a lease term of 75 years from 22 December 1969 renewable for a further term of 75 years. The ground rent payable in respect of the Lot is \$248 per annum.</p>	<p>As at the date of valuation, the aforesaid two units and three car parking spaces which comprise the property are subject to a leaseback arrangement for two years from 16 July 2007 and expiring on 15 July 2009 at a rent of HK\$38,000 per month, exclusive of rates and management fee.</p>	HK\$7,000,000

*Notes:*

- (1) The registered owner of the property interest is Mascotte Investments Limited, a wholly-owned subsidiary of the Company.
- (2) On the basis of the leaseback arrangement relating to the property, we are of the opinion that the market value of the property, as at 16 July 2007, the date of commencement of the arrangement is HK\$6,900,000.
- (3) We are of the opinion that the current rent which is subject to the leaseback arrangement is slightly lower than market rent.
- (4) Our valuation of the property is based on a 100 per cent attributable interest.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
2. Unit B on 7th Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong.  10/358 parts or shares of and in Aberdeen Inland Lot No. 348.	The property comprises an industrial unit on the 7th floor of a 16-storey industrial development which has a frontage to Wong Chuk Hang Road. The rear of the building abuts Heung Yip Road, a secondary access road. The building is believed to have been built in 1975 or thereabouts.  The saleable area of the property is approximately 270.53 sq.m. (2,912 sq.ft.).  The property is held under Conditions of Sale No. 9600 for a lease term of 75 years from 22 December 1969 renewable for a further term of 75 years. The ground rent payable in respect of the Lot is \$248 per annum.	As at the date of valuation, the property is subject to a leaseback arrangement for two years from 16 July 2007 and expiring on 15 July 2009 at a monthly rent of HK\$10,000 exclusive of rates and management fee.	HK\$1,895,000

*Notes:*

- (1) The registered owner of the property interest is Mascotte Investments Limited, a wholly-owned subsidiary of the Company.
- (2) On the basis of the leaseback arrangement relating to the property, we are of the opinion that the market value of the property, as at 16 July 2007, the date of commencement of the arrangement is HK\$1,860,000.
- (3) We are of the opinion that the current rent which is subject to the leaseback arrangement is slightly lower than market rent.
- (4) Our valuation of the property is based on a 100 per cent attributable interest.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
3. Workshop A on 1st Floor, Wo Fung Industrial Building, No. 2 Yip Wo Street, Fanling, New Territories, Hong Kong.  60/1,392 parts or shares of and in the Remaining Portion of Lot No. 5180 in Demarcation District No. 51.	<p>The property comprises a workshop unit on the 1st floor of a 5-storey industrial development located in the light industrial area of On Lok Tsuen in Fanling, and is believed to have been built in 1980 or thereabouts.</p> <p>The saleable area of the property is approximately 577.76 sq.m. (6,219 sq.ft.).</p> <p>The property is held under New Grant No. 11188 for a lease term of 99 years less the last three days. By virtue of the New Territories Leases (Extension) Ordinance, 1988, the lease has been extended for a further term of 50 years until 30 June 2047. The ground rent payable in respect of the Lot is equivalent to 3 per cent of the rateable value of the Lot.</p>	<p>As at the date of valuation, the property is subject to a leaseback arrangement for two years from 16 July 2007 and expiring on 15 July 2009 at a monthly rent of HK\$15,000 exclusive of rates and management fee.</p>	HK\$2,980,000

*Notes:*

- (1) The registered owner of the property interest is Mascotte Investments Limited, a wholly-owned subsidiary of the Company.
- (2) On the basis of the leaseback arrangement relating to the property, we are of the opinion that the market value of the property, as at 16 July 2007, the date of commencement of the arrangement is HK\$2,900,000.
- (3) We are of the opinion that the current rent which is subject to the leaseback arrangement is slightly lower than market rent.
- (4) Our valuation of the property is based on a 100 per cent attributable interest.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
4. Flat A on 3rd Floor of Tower 7, (Yee Mei Court), South Horizons, No. 7 South Horizon Drive, Hong Kong.  16/168,000 parts or shares of and in the Remaining Portion of Aplichau Inland Lot No. 121.	<p>The property comprises a domestic unit on the 3rd floor of a 41-storey residential building with basement car parking, one of a number of similar buildings in South Horizons, a self-contained residential estate in Ap Lei Chau. The estate, which is believed to have been built in 1992, has a commercial centre and other facilities for the convenience and benefit of residents.</p> <p>The gross floor area of the property is approximately 87.33 sq.m. (940 sq.ft.) whilst the saleable area is approximately 70.61 sq.m. (760 sq.ft.).</p> <p>The property is held under Conditions of Exchange No. 11998 for a lease term commencing on 28 January 1988 and expiring on 31 March 2040.</p>	<p>As at the date of valuation, the property is used by the Group as staff quarters.</p>	<p>HK\$3,480,000</p>

*Notes:*

- (1) The registered owner of the property interest is Mascotte Investments Limited, a wholly-owned subsidiary of the Company.
- (2) Our valuation of the property is based on a 100 per cent attributable interest.



Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
5. Flat B on 3rd Floor of Tower 7, (Yee Mei Court), South Horizons, No. 7 South Horizon Drive, Hong Kong.  16/168,000 parts or shares of and in the Remaining Portion of Aplichau Inland Lot No. 121.	<p>The property comprises a domestic unit on the 3rd floor of a 41-storey residential building with basement car parking, one of a number of similar buildings in South Horizons, a self-contained residential estate in Ap Lei Chau. The estate, which is believed to have been built in 1992, has a commercial centre and other facilities for the convenience and benefit of residents.</p> <p>The gross floor area of the property is approximately 87.33 sq.m. (940 sq.ft.) whilst the saleable area is approximately 70.61 sq.m. (760 sq.ft.).</p> <p>The property is held under Conditions of Exchange No. 11998 for a lease term commencing on 28 January 1988 and expiring on 31 March 2040.</p>	<p>As at the date of valuation, the property is used by the Group as staff quarters.</p>	<p>HK\$3,480,000</p>

*Notes:*

- (1) The registered owner of the property interest is Mascotte Investments Limited, a wholly-owned subsidiary of the Company.
- (2) Our valuation of the property is based on a 100 per cent attributable interest.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
6. Unit A on Ground Floor, Po Chai Industrial Building, No. 28 Wong Chuk Hang Road, Hong Kong.  14/358 parts or shares of and in Aberdeen Inland Lot No. 348.	<p>The property comprises a workshop on the ground floor of a 16-storey industrial development which has a frontage to Wong Chuk Hang Road. The rear of the building abuts Heung Yip Road, a secondary access road. The building is believed to have been built in 1975 or thereabouts.</p> <p>The gross floor area of the property is approximately 353.03 sq.m. (3,800 sq.ft.) whilst the saleable area, including lavatories, is approximately 271 sq.m. (2,917 sq.ft.).</p> <p>The property is held under Conditions of Sale No. 9600 for a lease term of 75 years from 22 December 1969 renewable for a further term of 75 years. The ground rent payable in respect of the Lot is \$248 per annum.</p>	As at the date of valuation, the property is subject to a tenancy with an initial fixed term of two years commencing on 15 July 2006 and expiring on 14 July 2008 at a rent of HK\$30,700 per month, exclusive of rates and management fee. There is an option for the tenant to extend the tenancy for a further one year.	HK\$3,790,000

*Notes:*

- (1) The registered owner of the property interest is Mascotte Investments Limited, a wholly-owned subsidiary of the Company.
- (2) Our valuation of the property is based on a 100 per cent attributable interest.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
7. Workshop No. 7 on 18th Floor, Harbour Industrial Centre, No. 10 Lee Hing Street, Hong Kong.  183/236,843 parts or shares of and in Ap Lei Chau Inland Lot No. 116.	<p>The property comprises a workshop on the 18th floor of a 24-storey industrial development which is located in the established industrial estate in the north-western part of Ap Lei Chau. The building is believed to have been built in 1993 or thereabouts.</p> <p>The gross floor area of the property is approximately 106.37 sq.m. (1,145 sq.ft.) whilst the saleable area is approximately 76.74 sq.m. (826 sq.ft.).</p> <p>The property is held under Conditions of Exchange No. 11820 for a lease term of 75 years from 1 October 1980 renewable for a further term of 75 years. The ground rent payable in respect of the Lot is \$1,000 per annum.</p>	<p>As at the date of valuation, the property is subject to a two-year tenancy commencing on 1 August 2005 and expiring on 31 July 2007 at a rent of HK\$3,200 per month, exclusive of rates and management fee.</p> <p>Both landlord and tenant have agreed to extend the tenancy on the same terms and conditions to 31 January 2008.</p>	HK\$600,000

*Notes:*

- (1) The registered owner of the property interest is Mascotte Investments Limited, a wholly-owned subsidiary of the Company.
- (2) Our valuation of the property is based on a 100 per cent attributable interest.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
8. Shop Space No. S97 on 2nd Floor, Red Mall of Malahon Apartments, No. 509 Jaffe Road, Hong Kong.  102/12,786 of 18.75/314 parts or shares of and in the Remaining Portion of Section D of Inland Lot No. 2836 and the Remaining Portion of Section L of Marine Lot No. 52 and the Extension thereto.	<p>The property comprises a 2nd floor arcade shop in the commercial and retail podium of a multi-storey composite development which has a frontage to Jaffe Road which provides access to the shopping arcade. The building is believed to have been built in 1967 or thereabouts.</p> <p>The saleable area of the property is approximately 4.74 sq.m. (51 sq.ft.).</p> <p>The property is held under 2 Government leases. The lease in respect of the Remaining Portion of Section D of Inland Lot No. 2836 is for a term of 99 years from 30 September 1929 renewable for a further term of 99 years. The ground rent payable in respect of this Lot is \$152 per annum. The lease in respect of the Remaining Portion of Section L of Marine Lot No. 52 and the Extension thereto is for a term of 999 years commencing on 25 June 1843. The ground rent payable in respect of this Lot is \$4 per annum.</p>	<p>As at the date of valuation, the property is subject to a two-year tenancy commencing on 27 October 2005 and expiring on 26 November 2007 at a rent of HK\$18,141.67 per month, exclusive of rates, government rent and management fee.</p>	HK\$2,895,000

*Notes:*

- (1) The registered owner of the property interest is Mascotte Investments Limited, a wholly-owned subsidiary of the Company.
- (2) Our valuation of the property is based on a 100 per cent attributable interest.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
9. Shop Space No. S18 on 2nd Floor, Red Mall of Malahon Apartments, No. 509 Jaffe Road, Hong Kong.  88/12,786 of 18.75/314 parts or shares of and in the Remaining Portion of Section D of Inland Lot No. 2836 and the Remaining Portion of Section L of Marine Lot No. 52 and the Extension thereto.	<p>The property comprises a 2nd floor arcade shop in the commercial and retail podium of a multi-storey composite development which has a frontage to Jaffe Road which provides access to the shopping arcade. The building is believed to have been built in 1967 or thereabouts.</p> <p>The saleable area of the property is approximately 4.09 sq.m. (44 sq.ft.).</p> <p>The property is held under 2 Government leases. The lease in respect of the Remaining Portion of Section D of Inland Lot No. 2836 is for a term of 99 years from 30 September 1929 renewable for a further term of 99 years. The ground rent payable in respect of this Lot is \$152 per annum. The lease in respect of the Remaining Portion of Section L of Marine Lot No. 52 and the Extension thereto is for a term of 999 years commencing on 25 June 1843. The ground rent payable in respect of this Lot is \$4 per annum.</p>	<p>As at the date of valuation, the property is subject to a two-year tenancy commencing on 27 October 2005 and expiring on 26 November 2007 at a rent of HK\$15,166.67 per month, exclusive of rates, government rent and management fee.</p>	HK\$2,470,000

*Notes:*

- (1) The registered owner of the property interest is Mascotte Investments Limited, a wholly-owned subsidiary of the Company.
- (2) Our valuation of the property is based on a 100 per cent attributable interest.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007															
10. Shop Units Nos. 201, 202 and 203, Level 2, Glittery Plaza, No. 65 Qianjin Road, Haizhu District, Guangzhou, Guangdong Province, People's Republic of China.	<p>The property comprises three commercial or retail units occupying the entire 2nd level of a 4 storey shopping arcade which forms part of a 31-storey commercial/residential complex. Below the shopping arcade are two levels of basements which are designed for car parking. The development has a frontage to Qianjin Road, a relatively busy main road in Haizhu district in the city of Guangzhou.</p> <p>The development, which is believed to have been built in 2004, occupies a site with an area of 2,571.0524 sq.m. (27,675sq.ft. approximately).</p> <p>Above the aforementioned shopping arcade is Level 5 which forms the podium of the arcade. Residential units are located on Level 6 to Level 31 of the tower block.</p> <p>The shopping arcade is planned to be occupied by restaurants, retail outlets and businesses relating to entertainment and cultural uses.</p> <p>The total gross floor area of the property is 2,470.63 sq.m. (26,594 sq.ft. approximately) which is made up as follows:</p>	As at the date of valuation, the three shop units comprising the property are vacant and awaiting to be rented out.	RMB28,300,000															
	<table border="1"> <thead> <tr> <th data-bbox="401 1465 450 1486">Unit</th> <th data-bbox="529 1465 598 1486">G.F.A.</th> <th data-bbox="639 1434 724 1486">Saleable Area</th> </tr> </thead> <tbody> <tr> <td data-bbox="401 1518 436 1539">201</td> <td data-bbox="504 1518 598 1539">992.3410</td> <td data-bbox="639 1518 724 1539">772.1096</td> </tr> <tr> <td data-bbox="401 1549 436 1570">202</td> <td data-bbox="488 1549 598 1570">1,099.6515</td> <td data-bbox="639 1549 724 1570">855.6045</td> </tr> <tr> <td data-bbox="401 1581 436 1602">203</td> <td data-bbox="504 1581 598 1602">378.6402</td> <td data-bbox="639 1581 724 1602">294.6081</td> </tr> <tr> <td data-bbox="401 1644 454 1665">Total</td> <td data-bbox="488 1644 598 1665"><u>2,470.6327</u></td> <td data-bbox="614 1644 724 1665"><u>1,922.3222</u></td> </tr> </tbody> </table>	Unit	G.F.A.	Saleable Area	201	992.3410	772.1096	202	1,099.6515	855.6045	203	378.6402	294.6081	Total	<u>2,470.6327</u>	<u>1,922.3222</u>		
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201	992.3410	772.1096																
202	1,099.6515	855.6045																
203	378.6402	294.6081																
Total	<u>2,470.6327</u>	<u>1,922.3222</u>																
	<p>The property has been granted a State-owned land use right for a term of 40 years from 25 December 2002 for commercial and non-residential purposes.</p>																	

*Notes:*

- (1) According to the Certificates of Real Estate Ownership, Yue Fang Di Jing Zi Di Nos. C5005790, C5005791 and C5005792 (粵房地証字第C5005790, C5005791及C5005792號) all dated 17 November 2006 and issued by the People's Government of Guangdong Province, the title in respect of the property is vested in Chan Oi Ling, Maria Olimpia.
- (2) As advised by the Group, the property is held on trust by Ms. Chan Oi Ling, Maria Olimpia on behalf of Mascotte Hui Zhou Limited. The property was purchased for a consideration of HK\$22,000,000 on 1 August 2003.
- (3) We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:
  - (i) The Group is in possession of a legal title to the property and is entitled to transfer, lease or mortgage the property with the residual term of the land use right at no additional premium or other costs payable to the government.
  - (ii) All land and other premium as well as other costs relating to the provision of utilities and ancillary services have been completely settled.
  - (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.
  - (iv) Our valuation of the property is based on a 100 per cent attributable interest.
  - (v) The property may be disposed of freely to purchasers within and outside the PRC.
- (4) The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Certificates of Real Estate Ownership  
(Yue Fang Di Jing Zi Di Nos. C5005790,  
C5005791 and C5005792)

– obtained

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement herein misleading.

## 2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of Shares	% of shareholding (approximate)
Chan Oi Ling, Maria Olimpia	The Company	Interests of controlled corporation (Note 1)	193,340,000 (L)	20.52%
Wong, Dickie	The Company	Beneficial interests (Note 2)	3,500,000 (L)	0.37%

*Note 1:* These Shares are held by Honeyard Corporation, the entire issued share capital of which is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia, Chairperson of the Company and an executive Director, are discretionary beneficiaries.

*Note 2:* Ms. Wong, Dickie is the daughter of Ms. Chan Oi Ling, Maria Olimpia.

(L) denotes the long position held in the Shares



Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS

#### (a) The Company

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any options in respect of such capital:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of Shares	% of shareholding (approximate)
Honeyard Corporation (Note 1)	The Company	Beneficial interests	193,340,000 (L)	20.52%
Bestco Worldwide Investment Limited	The Company	Beneficial interests	80,000,000 (L)	8.49%
Radford Capital Investment Limited	The Company	Beneficial interests	76,768,000 (L)	8.15%
Unity Investments Holdings Ltd	The Company	Beneficial interests	106,126,000 (L)	11.26%

*Note 1:* These Shares are held by Honeyard Corporation, the entire issued share capital of which is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia, Chairperson of the Company and an executive Director, are discretionary beneficiaries.

(L) denotes the long position held in the Shares

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any options in respect of such capital.

**(b) Other members of the Group**

As at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a member of the Group or a Director or chief executive of the Company) who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company or in any options in respect of such capital.

**4. COMPETING AND OTHER INTERESTS**

**(a) Directors' interest in competing business**

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

**(b) Directors' interest in assets of the Group**

As at the Latest Practicable Date, (except for the Share Disposal Agreement and the Property Disposal Agreement) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

**(c) Directors' interest in contracts of the Group**

As at the Latest Practicable Date, (except for the Share Disposal Agreement and the Property Disposal Agreement) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

## 5. SERVICE CONTRACT

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and the Company or any member of the Group, excluding contracts which expire or may be terminated by the employer within a year without payment of any compensation (other than statutory compensation).

## 6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was engaged in any litigation or arbitration or claim of material importance and the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

## 7. EXPERTS AND CONSENTS

- (a) The followings are the qualifications of the expert(s) who have given opinions or advice which are contained in this circular.

<b>Name</b>	<b>Qualification</b>
Veda Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO
GFE Law Office	PRC lawyers
Chung, Chan & Associates	Chartered Surveyors

- (b) As at the Latest Practicable Date, none of Veda Capital, GFE Law Office and Chung, Chan & Associates had any shareholding directly or indirectly in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.
- (c) As at the Latest Practicable Date, none of Veda Capital, GFE Law Office and Chung, Chan & Associates had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (d) Each of Veda Capital, GFE Law Office and Chung, Chan & Associates have given and have not withdrawn their written consents to the issue of this circular with inclusion of their respective letters or reports (as the case may be) and references to their names in the form and context in which they respectively appear.

**8. MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business, had been entered into by members of the Group, within two years immediately preceding the date of this circular which may be material:

- (a) on 6 June 2006, Mascotte Group Limited (a wholly owned subsidiary of the Company) entered into an agreement with Ms. Chan Oi Ling, Maria Olimpia, the Chairperson and executive Director, in relation to the acquisition of 100% of the issued capital of Jet Star Industries Limited (“Jet Star”), a private limited liability company incorporated under the laws of Hong Kong and a shareholder’s loan owing by Jet Star, for a total consideration of HK\$92,000,000;
- (b) on 2 November 2006, Mascotte Group Limited (a wholly owned subsidiary of the Company) entered into an agreement with Investlink Venture Limited, an independent third party, in relation to the acquisition of 100% of the issued capital of Hop Shing Trading Limited (“Hop Shing”), a company incorporated under the laws of the British Virgin Islands and a shareholder’s loan owing by Hop Shing, for a total consideration of HK\$20,000,000;
- (c) on 30 May 2007, Mascotte Group Limited (a wholly owned subsidiary of the Company) entered into an agreement with Great Asia Properties Limited, an independent third party, in relation to the disposal of 100% of the issued capital of Hop Shing and a shareholder’s loan owing by Hop Shing, for the consideration of HK\$30,000,000;
- (d) the provisional agreement dated 8 June 2007 and the formal agreement dated 15 June 2007 respectively entered into between, Mascotte Investments Limited (a wholly owned subsidiary of the Company) and Century Hero Limited, an independent third party, in relation to the disposal by Mascotte Investments Limited of the property situated at Flat B, 15th Floor, Tower 5 and two car parking spaces, The Leighton Hill, No. 2B, Broadwood Road, Hong Kong for the consideration of HK\$29,000,000;
- (e) on 8 June 2007, the Company entered into a placing agreement with Chung Nam Securities Limited, as placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent on an underwritten basis, 64,800,000 new Shares to independent investors at a price of HK\$0.45 per share;
- (f) on 17 July 2007, the Company entered into a placing agreement with Chung Nam Securities Limited, as placing agent, pursuant to which the placing agent agreed to place on an underwritten basis 104,960,000 new Shares to independent investors at a price of HK\$0.45 per share;

- (g) on 17 July 2007, the Company entered into a placing agreement with Chung Nam Securities Limited, as placing agent, pursuant to which, the placing agent agreed, on a best effort basis, to place up to HK\$500,000,000 principal amount of zero coupon convertible notes due on 15 December 2010, convertible into 1,250,000,000 Shares at the initial conversion price of HK\$0.40 per Share to independent investors;
- (h) the Share Disposal Agreement; and
- (i) the Property Disposal Agreement.

## 9. MISCELLANEOUS

- (a) So far as is known to the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Ms. Chan, Honeyard Corporation and/or Ms. Wong, Dickie in respect of their shareholding in the Company; and (ii) no obligation or entitlement of any Shareholder, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis.
- (b) So far as is known to the Directors, as at the Latest Practicable Date, (other than Ms. Chan, Honeyard Corporation and Ms. Wong, Dickie, which are interested in an aggregate of 196,840,000 Shares (representing approximately 20.89% of the issued share capital of the Company) as of the Latest Practicable Date, who are interested in the Share Disposal and the Property Disposal) there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the SGM.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except for public holidays) at the offices of Kirkpatrick & Lockhart Preston Gates Ellis at 35th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong from the date of this circular up to and including 16 October 2007, being the date of SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the audited financial statements of the Group for each of the two years ended 31 March 2007;
- (c) the letter from Veda Capital, the text of which is set out in this circular;
- (d) the valuation report issued by Chung, Chan & Associates, Chartered Surveyors as set out in appendix II to this circular;

- (e) copies of the contracts as disclosed under the section headed “Material contracts” in this appendix, the Po Chai Building Tenancy (1), the Po Chai Building Tenancy (2) and the Wo Fung Building Tenancy;
- (f) the legal opinion of GFE Law Office;
- (g) the written consent given by each of Veda Capital, GFE Law Office and Chung, Chan & Associates referred to in the section headed “Experts and Consents” in this appendix; and
- (h) this circular and each of the circulars of the Company issued since 31 March 2007.

## 11. GENERAL

- (a) The company secretary and the qualified accountant of the Company is Mr. Chiu Wing Keung, a Certified Public Accountant, a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (b) The head office and principal place of business of the Company in Hong Kong is situated at 1st Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Aberdeen, Hong Kong.
- (c) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The branch share registrars and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, the address of which is at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (e) The principal share registrars of the Company is Butterfield Corporate Services Limited, the address of which is at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (f) In any event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.



## MASCOTTE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0136)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Mascotte Holdings Limited (the “**Company**”) will be held at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong on Tuesday, 16 October 2007 at 9:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. **THAT** the agreement dated 8 August 2007 (as amended by a supplemental agreement dated 27 September 2007) (the “**Share Disposal Agreement**”) made between Mascotte Group Limited (“**Share Disposal Vendor**”) (a wholly-owned subsidiary of the Company) and Kada International Investments Limited in respect of the disposal by the Share Disposal Vendor of, among other things, the entire issued share capital of Mascotte Investments Limited (a limited liability company incorporated under the laws of Hong Kong) with voting right at an aggregate consideration of HK\$29,000,000, a copy of the Share Disposal Agreement has been produced to the meeting marked “A” and has been signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated under the Share Disposal Agreement be and are hereby approved and one or more of the directors of the Company be and is and are hereby authorised on behalf of the Company to do all such deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of or in connection with effecting and implementing any of the foregoing matters in accordance with the terms of the Share Disposal Agreement.
2. **THAT** the agreement dated 8 August 2007 (as amended by a supplemental agreement dated 27 September 2007) (the “**Property Disposal Agreement**”) made between Mascotte Hui Zhou Limited (“**Property Disposal Vendor**”) (a wholly-owned subsidiary of the Company) and Ms. Chan Oi Ling, Maria Olimpia in respect of the disposal by the Property Disposal Vendor of the properties known as Shop Units Nos. 201, 202 and 203 on Level 2, Glittery Plaza, No. 65 Qianjin Road, Haizhu District, Guangzhou, Guangdong Province, the People’s Republic of China at an aggregate consideration of HK\$30,000,000, a copy of the Property Disposal Agreement has been produced to the meeting marked “B” and has been signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated under the Property Disposal Agreement be and are hereby approved and one or more of the directors of the Company be and is and are hereby authorised on behalf of the Company to do all such deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of or in connection with effecting and implementing any of the foregoing matters in accordance with the terms of the Property Disposal Agreement.

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## NOTICE OF SGM

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3. To re-elect Mr. Peter Temple Whitelam as executive director of the Company and the board of directors of the Company be and is hereby authorised to fix his remuneration.

By order of the Board of  
**Mascotte Holdings Limited**  
**Mr. Lam Yu Ho, Daniel**  
*Executive Director*

Hong Kong, 28 September 2007

*Head office and principal place of  
business in Hong Kong:*  
1st Floor, Po Chai Industrial Building  
28 Wong Chuk Hang Road  
Aberdeen  
Hong Kong

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*As at the date of this notice, the board comprises Ms. Chan Oi Ling, Maria Olimpia (Chairperson), Mr. Lam Yu Ho, Daniel (Managing Director), Mr. Au Yeung Kai Chor, Ms. Wong, Dickie and Mr. Peter Temple Whitelam as executive directors, Mr. Wong Yui Leung, Larry, Mr. Lui Wai Shan, Wilson, Mr. Cheung Ngai Lam and Mr. Chan Sze Hung as independent non-executive directors.*

*Notes:*

- (1) A form of proxy to be used for the meeting is enclosed.
- (2) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
- (3) To be valid, the instrument appointing a proxy must be in writing under the hand of the appointer or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of that power or authority must be deposited at office of the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time for holding the meeting or any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- (6) The resolutions under 1 and 2 above will be voted by way of poll.