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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 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.

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**MASCOTTE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0136)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO THE PROVISION OF LOAN**

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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:*

“Acquisition”	possible acquisition by the Borrower of the entire share capital of a BVI company which currently holds 65% equity interests in a mining company in northwest PRC
“Board”	Board of Directors
“Borrower”	Leadup Resources Investments Ltd., a company duly incorporated in the Cayman Islands with limited liability and a subsidiary of Leadup Investments Ltd.
“Company”	Mascotte Holdings Limited, a company incorporated in the laws of Bermuda with limited liability whose Shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Facility Letter”	the facility letter dated 19 November 2007 entered into between the Company and the Borrower in relation to the advance of loan in a principal amount of HK\$200,000,000
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Increase In Capital”	the proposed increase in the capital contribution by the BVI company and/or the Borrower’s wholly owned subsidiary so that the mining company in northwest PRC will become a 95% subsidiary of the BVI company
“Independent Third Party(ies)”	a party and their respective ultimate beneficial owners who to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company

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## DEFINITIONS

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“Latest Practical Date”	28 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the principal amount of HK\$200,000,000 advanced by the Company to the Borrower
“Mr. Zeng Jian”	is an Independent Third Party who is the controlling shareholder of Leadup Investments Ltd.
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Facility Letter”	the supplemental facility letter dated 20 November 2007 entered into between the Company and the Borrower in relation to the advance of loan in a principal amount of HK\$200,000,000 to revise the terms of the Loan
“%”	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. Lui Wai Shan, Wilson  
Mr. Cheung Ngai Lam  
Mr. Chan Sze Hung  
Mr. Kristi L Swartz

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

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

3 December 2007

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE PROVISION OF LOAN**

#### **INTRODUCTION**

The Company entered into a Facility Letter on 19 November 2007 and a Supplemental Facility Letter on 20 November 2007 to advance a Loan in the principal amount of HK\$200,000,000 to the Borrower.

The Borrower will use the Loan to finance (i) the acquisition of the entire equity interests of a BVI company which currently holds 65% equity interests in a mining company in northwest PRC that holds 100% interest in a titanium ore in northwest PRC and (ii) acquisition and increase in the capital in the mining company in northwest PRC so that it will become a 95% subsidiary of the BVI company, and after the increase in capital, the mining company intends to acquire certain interests in 3 coal mines in northwest PRC.

As the relevant percentage ratios in respect of the provision of Loan exceeds 5% but less than 25%, the Loan constitutes (i) an advance to an entity which requires compliance of general disclosure obligation under Rule 13.13 of the Listing Rules as the assets ratio exceeds 8% and (ii) a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

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## LETTER FROM THE BOARD

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### THE PROVISION OF LOAN

On 19 November 2007, the Company entered a Facility Letter to advance HK\$200,000,000 to the Borrower. In the Facility Letter, the interest rate is prevailing best lending rate quoted by the Hongkong and Shanghai Banking Corporation Ltd plus 1% per annum (i.e. around 8%) and the repayment date is 19 November 2008. After negotiation between the Company and the Borrower, both parties agreed to change the terms of the Loan and entered a Supplemental Facility Letter on 20 November 2007. The revised terms in the Supplemental Facility Letter are that the interest rate is changed to 2.2% per annum and the repayment date is changed to 19 May 2008 which is shorter than in the Facility Letter.

The proposed principal terms of the Loan are as follows:

Lender : the Company

Borrower : Leadup Resources Investments Ltd.

It is an investment holding company. The guarantor of the Loan, Mr. Zeng Jian, is one of the ultimate beneficial owners of the Borrower and he holds more than 50% equity interest in the holding company of the Borrower. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Borrower and its ultimate beneficial owner(s) are Independent Third Parties.

Purpose : To finance:

- (i) the Acquisition: being the acquisition of the entire equity interests of a BVI company which currently holds 65% equity interests in a mining company in northwest PRC that holds 100% interest in a titanium ore in northwest PRC, and
- (ii) the Increase In Capital: being the acquisition and increase in the capital by the BVI company and/or the Borrower's wholly owned subsidiary in the mining company in northwest PRC so that it will become a 95% subsidiary of the BVI company, and after the increase in capital, to partially finance the acquisition of certain interests in 3 coal mines in northwest PRC.

Principal amount : HK\$200,000,000.00

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## LETTER FROM THE BOARD

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Security	:	personal guarantee by Mr. Zeng Jian, who is an Independent Third Party
Term	:	on 19 May 2008, the Borrower should repay all outstanding amounts of the Loan together with accrued interest to the Company
Interest	:	2.20% per annum
Default interest	:	2% per month for the period commencing on the due date of the repayment and ending on the date of the actual receipt of repayment by the Company

The Borrower and the guarantor are referred by a referral of a Director named Mr. Au Yeung Kai Chor (“Mr. Au Yeung”) of the Company to the Board. The involvement of Mr. Au Yeung is to introduce the Borrower and Mr. Zeng Jian to the Board for consideration and he has involved in the negotiation of the terms of the Facility Letter. The Company has conducted the due diligence works on the background and the profile of the guarantor (i.e. Mr. Zeng Jian) who holds over 50% equity interests in the holding company of the Borrower. Mr. Zeng Jian is a merchant and has over 20 years commercial experience. He worked as senior management in state-owned enterprises and private enterprises in the PRC. He has intensive experience in mergers and acquisitions, property investments and investments in natural resources projects. Mr. Zeng Jian has over eight years experience in investments in natural resources projects in the PRC and possess excellent business networks with many natural resources project owners and operators. After conducting the due diligence works on the guarantor, the Board considers that the guarantor has sufficient assets to cover the Loan in case the Borrower defaults.

The Company does not have any priority over the existing debts of the Borrower in case of default as the Facility Letter does not provide such arrangement. The maximum risk exposure of the Loan is HK\$200,000,000 in case of default.

Regarding the intended usage of the net proceeds from the previous fund-raising exercises carried by the Company which are announced in the announcements of the Company dated 11 June 2007, 17 July 2007, 27 August 2007, 2 November 2007 and 13 November 2007, the Company stated that the net proceeds will be used for its working capital and other investments. The Company has not identified any investment opportunity at this moment and the Company considers the provision of Loan can (i) allow the Company earns the interest income and (ii) start up the business relationship with the Borrower and Mr. Zeng Jian which in turn will widen the business network of the Company in the PRC and allow the Company to expose to the investment opportunities in natural resources projects in the PRC.

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## LETTER FROM THE BOARD

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### Undertakings

The Borrower undertakes with the Company that it shall ensure that at all times during the period while any sum owing remains outstanding:

- (i) as soon as practicable, the Borrower shall submit to the Company share certificate representing all the issued share capital of the BVI company acquired by the Borrower after the completion of the Acquisition as unperfected security interests;
- (ii) as soon as practicable, the Borrower shall submit to the Company the capital contribution certificate in respect of the increase in the equity interest in a mining company in northwest PRC after the completion of the Increase In Capital;
- (iii) there shall be no change in the controlling shareholders of the Borrower unless with the prior written consent of the Company;
- (iv) the Borrower shall not (without the prior written consent of the Company) declare or make any dividend, distribution or payment (whether in cash or otherwise) of any of its profit or reserves to the shareholders;
- (v) the Borrower shall not without the prior written consent of the Company create or permit to subsist any mortgage, charge, lien, pledge, encumbrance or other security interest over the whole or any part of its undertakings, properties or assets other than the document relating to the Security;
- (vi) the Borrower shall provide to the Company any information pertaining to its financial, business and/or shareholding status as the Company may require from time to time;
- (vii) the Borrower shall submit to the Company its audited financial statements (on a consolidated basis) within 6 months from the end of its relevant financial year;
- (viii) the Borrower shall maintain controlling interest in the BVI company and its investments after completion of the Acquisition.

The purpose of undertakings under points (i) and (ii) above is to provide additional security to the Company to ensure the Loan will be properly applied to the intended purpose. However, the Board considers that the undertaking under point (i) is unperfected security interests since it is not a perfect security for the Company from legal prospective.



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## LETTER FROM THE BOARD

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### **First right of refusal**

In consideration of the Company agreeing to provide the Loan, the Borrower grants to the Company a right of first refusal to purchase after the Acquisition any equity interests in the BVI company or any of the investments of the BVI company at a price not less favourable than those offered to the Borrower or any subsidiary of the Borrower by an independent third party. The Borrower shall, as soon as practicable, upon receiving an offer from an independent third party proposing to acquire interests in the Borrower's investments (including interest in the BVI company and such other subsidiaries) send a notice (the "Disposal Notice") to the Company setting out the terms of such offer, including the offeror, the price, the interest proposed to be acquired and the proposed completion date. The Company shall, within 2 weeks of such notice, inform the Borrower whether it will acquire the proposed disposed interest on the terms set out in the Disposal Notice. If no acceptance is received by the Borrower from the Company within 2 weeks of the due delivery date of the Disposal Notice, the Company shall be deemed to have declined the offer by the Borrower and the Borrower may proceed with the disposal on the terms set out in the Disposal Notice. The right of first refusal will last for the period during which any sum of the Loan remains outstanding.

Any issue of convertible or exchangeable securities (including convertible bonds) by the Borrower or any of its subsidiaries to financial investors for further financing or the issue and/or transfer of equity interests in the Borrower or any of its subsidiaries and any new issue of equity securities by the BVI company or any of its subsidiaries shall not be deemed a disposal nor trigger the right of first refusal.

### **Reasons for the provision of Loan**

The Board considers that the terms of the Loan are arrived at after arms' length negotiation with the Borrower and are on normal commercial terms by reference to the prevailing market rates offered by commercial banks in Hong Kong.

Moreover, the Board considers the provision of Loan is to the benefit of the Shareholders and the Company as a whole because:

- (i) Mr. Zeng Jian has executed a deed of guarantee in favour of the Company to guarantee the due and punctual payment of any and all sums of the repayment owed by the Borrower notwithstanding the liquidation of the Borrower or any change in the constitution of the Borrower. Besides, Mr. Zeng Jian undertakes to maintain his controlling interest in the Leadup Investments Ltd. which will maintain its controlling interest in the Borrower. The Board considers that such guarantee can enable the completion of the Acquisition and the Increase In Capital in a timely manner;
- (ii) under the existing plan of Acquisition and Increase in Capital, the BVI company will acquire three coal mines in northwest PRC which in return will increase the asset base and the profitability of the BVI company;

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## LETTER FROM THE BOARD

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- (iii) the Company's first right of refusal allows the Company to invest in the BVI company or any investments of the BVI company after the Acquisition if there is an independent third party proposes to acquire the interest in the Borrower's investments (including interest in the BVI company and such other subsidiaries); and
- (iv) the Company can earn deposit interest income from the provision of the Loan.

The explorations of the three coal mines have been completed and are expected to commence the pilot production in year 2008.

At the moment, the Company does not have any intention to acquire the Borrower's investment.

The Board entered into the Supplemental Facility Letter because the repayment period is shortened and the interest rate is revised after a negotiation between the Company and the Borrower. The interest rate in the Supplemental Facility Letter is 2.2% per annum while the interest rate in the Facility Letter is prevailing market rate plus 1% per annum. The Board considers that the change in the interest rate from the prevailing market rate in the Facility Letter to the deposit rate in the Supplemental Facility Letter and the terms of the Loan are fair and reasonable and are in the interests of the Shareholders after taking into account that (i) the duration of the repayment period has shorten to six months; (ii) it is comparable to the six months deposit rates quoted with commercial banks which is around 2%; (iii) the Company has a first right of refusal to invest in the BVI company or any investments of the BVI company after the Acquisition if there is an independent third party proposes to acquire the interest in the Borrower's investments; (iv) after the Increase in Capital, the BVI company will acquire three coal mines in northwest PRC which in turn will increase the asset base and the profitability of the BVI company. The Company has an advantage to invest in a BVI company or any investments of the BVI company before other investors since the Company has a first right of refusal; (v) the Loan is guaranteed by Mr. Zeng Jian and he has sufficient assets to cover the Loan in case the Borrower defaults; (vi) Mr. Zeng Jian has intensive experience in investments in the natural resources projects in the PRC and possess excellent business networks with many natural resources project owners and operators; and (vii) the provision of Loan enables the Company to start a business relationship with the Borrower and the guarantor.

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## LETTER FROM THE BOARD

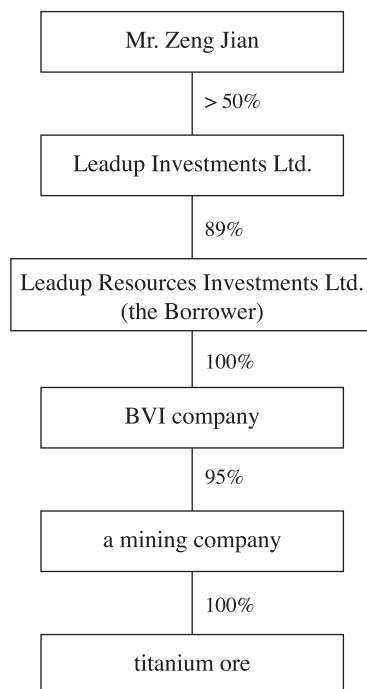
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### Shareholding chart before and after the Acquisition and the Increase In Capital

*Before the Acquisition and the Increase In Capital*



*After the Acquisition and the Increase In Capital*



### GENERAL

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

### FINANCIAL EFFECT OF THE PROVISION OF LOAN

The Directors consider that the provision of Loan will not have any immediate effect on the earnings and assets and liabilities of the Company, except in the event of default by the Borrower and the guarantor, the Company shall make a provision of bad debt for the Loan.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board of  
**Mascotte Holdings Limited**  
**Ms. Chan Oi Ling, Maria Olimpia**  
*Chairperson*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which are required: (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name	Capacity	Number of Shares (Long position)	% of shareholding (approximate)
Chan Oi Ling, Maria Olimpia	Interests of controlled corporation ( <i>Note 1</i> )	100,000,000	5.25%
Wong, Dickie	Beneficial owner ( <i>Note 2</i> )	3,500,000	0.18%

*Notes:*

- 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, the Chairperson of the Company and an executive Director, are discretionary beneficiaries.
- Ms. Wong, Dickie is the daughter of Ms. Chan Oi Ling, Maria Olimpia.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of part XV of the SFO) which are required: (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Interests of Shareholders**

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and to the best knowledge of the Directors or chief executive of the Company, the following parties (other than a Director or chief executive of the Company), had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, 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 and the amount of each of such persons' interest in such securities, together with any options in respect of such capital, were as follows:

Name	Capacity	Number of Shares (Long position)	% of shareholding (approximate)
Honeyard Corporation (Note 1)	Beneficial owner	100,000,000	5.25%
Unity Investments Holdings Limited (Note 2)	Beneficial owner	106,126,000	5.57%
Willie International Holdings Limited (Note 3)	Beneficial owner	97,000,000	5.09%

*Notes:*

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, the Chairperson of the Company and an executive Director, are discretionary beneficiaries.
2. Unity Investments Holdings Limited (stock code: 913), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Gufalore Investments Limited, and its indirect wholly-owned subsidiary, Great Panorama International Limited, a direct wholly-owned subsidiary of Gufalore Investments Limited.
3. Willie International Holdings Limited (stock code: 273), a company listed on the Stock Exchange is interested in the share capital of the Company indirectly through its direct wholly-owned subsidiary, Pearl Decade Limited.

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.

**3. SERVICE CONTRACT**

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

**4. DIRECTORS' INTEREST IN COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**5. LITIGATION**

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

**6. CORPORATE INFORMATION**

- (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 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.

**7. MISCELLANEOUS**

The English text of the Prospectus Documents shall prevail over the Chinese text in the case of any inconsistency.