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If you have sold or transferred all your securities of The Quaypoint Corporation Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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THE QUAYPOINT CORPORATION LIMITED

紀翰集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

**CONNECTED TRANSACTION –
Exercise of Option Involving Issuance of
Additional Convertible Redeemable Preference Shares
and
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Financial Adviser



CENTURION CORPORATE FINANCE LIMITED

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



VXL FINANCIAL SERVICES LIMITED

卓越企业融资有限公司

A letter from the board of Directors of The Quaypoint Corporation Limited (the “Company”) is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee is set out on page 15 of this circular. A letter from VXL Financial Services Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 27 of this circular.

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held at Central Plaza Executive Club, P Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 8 June 2007 at 10:00 a.m. is set out on pages 46 to 47 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at Suite 1304, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

11 May 2007

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 26 May 2006
“Articles” or “Articles of Association”	the articles of association of the Company
“associates”	the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	The Quaypoint Corporation Limited, a company incorporated in the Cayman Islands and whose Ordinary Shares are listed on the main board of the Stock Exchange
“Conversion Period”	the period commencing from the day on which the trading of the Ordinary Shares shall resume (provided that such date shall be no later than the date being one month prior to the end of the third anniversary of the initial issue of the 250,000,000 Convertible Redeemable Preference Shares, which took place on 30 June 2006) to the earlier of (a) the date of commencement of the voluntary or involuntary winding up of the Company and (b) the date being the 10 business days before the third anniversary of the date of initial issue (which took place on 30 June 2006) of the 250,000,000 Convertible Redeemable Preference Shares, subject to an extension of not more than 12 months as the Company and Weina may agree
“Convertible Redeemable Preference Share(s)”	the 250,000,000 convertible redeemable non-voting preference share(s) of HK\$0.10 each in the capital of the Company allotted and issued pursuant to the Subscription and Option Agreement and the 100,000,000 convertible redeemable non-voting preference share(s) of HK\$0.10 each to be allotted and issued upon completion of the Transaction
“December Circular”	the shareholders’ circular of the Company dated 11 December 2006
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened in connection with the Transaction and the proposed amendments to the Articles
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee appointed by the Board to advise the Independent Shareholders in respect of the Transaction, comprising the independent non-executive directors of the Company, namely Messrs. Lau Sai Chung, Ng Kwok Chu, Winfield and Poon Lai Yin, Michael
“Independent Shareholders”	Shareholders other than Mr. Stephen Tsim and his associates
“June Circular”	the shareholders’ circular of the Company dated 10 June 2006
“Latest Practicable Date”	7 May 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Stephen Tsim”	Mr. Tsim Sze Hon, a son of Mr. Tsim
“Mr. Tsim”	Mr. Tsim Wing Kong
“Option”	the option granted by Weina to the Company pursuant to the Subscription and Option Agreement upon the exercise of which during the Option Period, Weina will be required to subscribe for 100,000,000 convertible redeemable preference shares of HK\$0.10 each of the Company at the subscription price of HK\$0.40 each
“Option Convertible Shares”	the 100,000,000 convertible redeemable preference shares of HK\$0.10 each of the Company to be subscribed by Weina as a result of the exercise of the Option by the Company
“Option Period”	the period commencing on 1 April 2007 and ending on the date following the one month prior to the end of the third anniversary of the initial issue (which took place on 30 June 2006) of the 250,000,000 Convertible Redeemable Preferences Shares
“Ordinary Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company
“Preference A Shares”	the 110,000,000 convertible redeemable non-voting preference shares of HK\$0.10 each in the capital of the Company allotted and issued to Weina pursuant to the sale and purchase agreement dated 17 November 2006 between the Company, Weina Holdings Limited and Mr. Tsim

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Ordinary Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription and Option Agreement”	the subscription and option agreement dated 26 May 2006 entered into between the Company, Weina and Mr. Tsim relating to the subscription of the 250,000,000 convertible redeemable preference shares of HK\$0.10 each of the Company and the Option
“Transaction”	the transaction involving the exercise of the Option by the Company and the issue and allotment of the Option Convertible Shares by the Company to Weina for a consideration of HK\$40,000,000 and all transactions contemplated thereunder
“VXLFS”	VXL Financial Services Limited, a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction
“Weina”	Weina BVI Limited, a company incorporated in the British Virgin Islands and ultimately owned by Mr. Tsim and his spouse as to 70% and 30% of the shareholding respectively
“%”	per cent.



THE QUAYPOINT CORPORATION LIMITED

紀 翰 集 團 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

Executive Directors:

Dr. SZE Kwan (*Vice Chairman*)

Ms. CHAN Siu Chu, Debby

(Chief Executive Officer)

Mr. SIEK Fui

Registered Office:

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Non-Executive Director:

Mr. Gerard J. MCMAHON (*Chairman*)

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

Suite 1304, Great Eagle Centre

23 Harbour Road

Wanchai

Hong Kong

Independent Non-Executive Directors:

Mr. LAU Sai Chung

Mr. NG Kwok Chu, Winfield

Mr. POON Lai Yin, Michael

11 May 2007

To the Shareholders,

Dear Sirs,

**CONNECTED TRANSACTION –
Exercise of Option Involving Issuance of
Additional Convertible Redeemable Preference Shares
and
PROPOSED AMENDMENTS TO THE ARTICLES**

INTRODUCTION

Reference is made to the announcement dated 19 April 2007 where the Board announced that on 13 April 2007, the Company exercised the Option by serving a notice on Weina pursuant to which Weina will subscribe for the Option Convertible Shares for a consideration of HK\$40,000,000. Weina is an associate of Mr. Stephen Tsim and a connected person of the Company for the purpose of the Listing Rules. As such, the exercise of the Option involving the issuance of the Option Convertible Shares to Weina constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and the Transaction is subject to approval of the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules, notwithstanding that each of the transactions contemplated under the Subscription and Option Agreement has been approved by the Shareholders at the extraordinary general meeting of the Company held on 28 June 2006. Subject to the satisfaction of the aforesaid condition, completion of the Transaction will take place within 14 business days following the date of approval of the Independent Shareholders at the EGM.

* for identification purposes only

LETTER FROM THE BOARD

The Independent Board Committee has been appointed and formed to advise the Independent Shareholders as to whether the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole. VXLFS has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders respectively in this respect. The EGM will be held to, among other things, consider and, if thought appropriate, to approve the Transaction.

The purpose of this circular is to provide you with the particulars of the Transaction, the letter from the Independent Board Committee and the letter from VXLFS to the Independent Board Committee and the Independent Shareholders so as to provide you with information necessary to enable you to make an informed decision on whether to vote for or against the Ordinary Resolution to be proposed at the EGM relating to the Transaction.

This circular also provides you with further information regarding the Special Resolution to be proposed at the EGM relating to the proposed amendments to the Articles.

BACKGROUND

Reference is made to the Announcement and the June Circular in relation to the Subscription and Option Agreement dated 26 May 2006 between the Company and Weina. Pursuant to such Agreement, Weina has granted the Option to the Company and upon the exercise of which during the Option Period, Weina will be required to subscribe for the Option Convertible Shares at a subscription price of HK\$0.40 each (the “**Subscription Price**”). The Subscription Price was determined after arm’s length negotiations.

The Subscription Price represents a premium of approximately 21.2% to the closing price of HK\$0.33 per Ordinary Share as quoted on the Stock Exchange on 15 March 2006 (being the last trading day prior to the suspension of trading of the Ordinary Shares), and a premium of approximately 21.2% and to the average closing price of HK\$0.33 per Ordinary Share of the 5 and 10 trading days up to and including 15 March 2006. The subscription price also represents a premium of approximately 148% over the unaudited consolidated net asset value of approximately RMB0.159 (equivalent to approximately HK\$0.161) per Ordinary Share as at 31 December 2006 as stated in the interim report of the Company dated 28 March 2007.

In the absence of any adjustment, the price at which the Convertible Redeemable Preference Shares can be converted into new Ordinary Shares is HK\$0.40 per share (“**Initial Conversion Price**”) and such price was determined after arm’s length negotiations.

The material terms of the Convertible Redeemable Preference Shares are set out in Appendix I to the June Circular and also in Appendix I to this Circular. The terms of the Subscription and Option Agreement and the transactions contemplated thereunder (including the allotment and issue of the 350,000,000 Convertible Redeemable Preference Shares at the Subscription Price and the issue and allotment of the Ordinary Shares upon conversion of the Convertible Redeemable Preference Shares) were approved by the Shareholders at the extraordinary general meeting of the Company held on 28 June 2006.

LETTER FROM THE BOARD

NOTICE TO EXERCISE THE OPTION

On 19 April 2007, the Board announced that on 13 April 2007 the Company exercised the Option by serving a notice on Weina pursuant to which Weina will subscribe for the Option Convertible Shares at the Subscription Price. As stated in the June Circular, where Weina is a connected person of the Company at the time the Option is exercised, the Transaction would be subject to the requirements set out under Chapter 14A of the Listing Rules, including Independent Shareholders' approval. As set out in the section headed "Information on Weina and shareholding structure of the Company upon conversion", Weina is a connected person of the Company and therefore the Transaction constitutes a connected transaction of the Company for the purpose of the Listing Rules.

CONDITION OF THE TRANSACTION AND COMPLETION

The Transaction is subject to the approval of the Independent Shareholders at the EGM. Subject to the satisfaction of the aforesaid condition, completion of the Transaction will take place within 14 business days following the date of approval of the Independent Shareholders at the EGM ("**Completion**"). At Completion, the aggregate consideration of HK\$40,000,000 for the subscription of the Option Convertible Shares will be paid in cash by Weina in full.

INFORMATION ON WEINA AND SHAREHOLDING STRUCTURE OF THE COMPANY UPON CONVERSION

Weina is an investment holding company incorporated in the British Virgin Islands in 1997 with limited liability and is indirectly owned as to 70% and 30% by Mr. Tsim and his spouse respectively. Mr. Tsim is the father of Mr. Stephen Tsim, who holds 100,000 Ordinary Shares and has been a director of a subsidiary of the Company since 1 March 2007. Weina is therefore an associate of Mr. Stephen Tsim and a connected person of the Company for the purpose of the Listing Rules. As at the Latest Practicable Date, the aggregate shareholdings of Mr. Stephen Tsim and his associates were 100,000 Ordinary Shares, 250,000,000 Convertible Redeemable Preference Shares and 110,000,000 Preference A Shares.

Insofar as the aforesaid shareholdings in the Convertible Redeemable Preference Shares and the Preference A Shares are concerned, Weina holds the entire (i) 250,000,000 Convertible Redeemable Preference Shares; and (ii) 110,000,000 Preference A Shares which were issued to Weina by the Company as consideration for its acquisition of 100% equity interest in Weina Land Limited (details of which, including the terms and conditions of the Preference A Shares, were contained in the announcement of the Company dated 18 November 2006 and the December Circular).

The issue and allotment of the 110,000,000 Preference A Shares and the issue and allotment of the 110,000,000 Ordinary Shares (on the basis of the initial conversion price and subject to adjustments provisions which are identical to the ones applicable for the Convertible Redeemable Preference Shares) upon conversion of all the said Preference A Shares were approved at the extraordinary general meeting of the Company on 28 December 2006. The principal differences between the Convertible Redeemable Preference Shares and the Preference A Shares are the conversion period and the rights of redemption. In the case of the Convertible Redeemable Preference Shares, the Conversion Period commences from the day on which the trading of the Ordinary Shares shall resume to, subject to extension, the earlier of (a) the date of commencement of the voluntary or involuntary winding up of the Company and (b) on the date being the 10 business days prior to 30 June 2009 (being the *third* anniversary of the date of initial issue of the 250,000,000 Convertible Redeemable Preference Shares). The right of redemption of the

LETTER FROM THE BOARD

Convertible Redeemable Preference Shares is exercisable at the end of the Conversion Period and for a period of 10 business days thereafter (including the end of the Conversion Period as extended). On the other hand, the conversion period in respect of the Preference A Shares commences from the day on which the trading of the Ordinary Shares shall resume to, subject to extension, the earlier of (a) the date of commencement of the voluntary or involuntary winding up of the Company and (b) the date being the 10 business days prior to 29 December 2008 (being the *second* anniversary of the date of initial issue of the Preference A Shares). The right of redemption of the Preference A Shares is exercisable during the relevant conversion period.

As at the Latest Practicable Date, the Company had 350,000,000 Ordinary Shares in issue. The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares which may be issued and allotted upon conversion of the Convertible Redeemable Preference Shares and the Preference A Shares. No conversion of the Convertible Redeemable Preference Shares into Ordinary Shares shall be made until the aforesaid approval is granted by the Listing Committee of the Stock Exchange. Upon the conversion of the Option Convertible Shares in full and on the basis that none of the other Convertible Redeemable Preference Shares nor the Preference A Shares is converted and that there is no other change in the number of Ordinary Shares in issue, the 100,000,000 Ordinary Shares to be issued at conversion (on the basis of the Initial Conversion Price and assuming no adjustment is to be made to such conversion price) will represent approximately 28.57% of the existing issued ordinary share capital of the Company and approximately 22.22% of the issued ordinary share capital of the Company as enlarged by the full conversion. Upon full conversion of the 350,000,000 Convertible Redeemable Preference Shares and the 110,000,000 Preference A Shares and provided that there is no other change in the share capital of the Company, the 100,000,000 Ordinary Shares to be issued at conversion (on the basis of the Initial Conversion Price and assuming no adjustment is to be made to such conversion price) will represent approximately 12.35% of the issued ordinary share capital of the Company as enlarged by the such conversions. However, such conversions will be subject to the maintenance of the minimum 25% public float as stated below.

The table below sets out the shareholding structure of the Company immediately before and after the conversion of the 350,000,000 Convertible Redeemable Preference Shares and the 110,000,000 Preference A Shares (on the basis of the Initial Conversion Price and assuming no adjustment is to be made to such conversion price as well as no other change in the shareholding structure of the Company). As at the Latest Practicable Date, none of the Convertible Redeemable Preference Shares nor the Preference A Shares has been converted by Weina. Furthermore, Weina has undertaken to the Company that it will not convert the Convertible Redeemable Preference Shares or Preference A Shares if upon the conversion thereof, the percentage of the Ordinary Shares held by the public drops below the 25% minimum public float requirement under the Listing Rules.

LETTER FROM THE BOARD

	Existing shareholding structure	Upon conversion of the Preference A Shares in full ⁽¹⁾	Upon full conversion of the Preference A Shares and partial conversion of the Convertible Redeemable Preference Shares⁽²⁾	Upon full conversion of the Convertible Redeemable Preference Shares and the Preference A Shares⁽³⁾
	<i>No. of Ordinary Shares (%)</i>	<i>No. of Ordinary Shares (%)</i>	<i>No. of Ordinary Shares (%)</i>	<i>No. of Ordinary Shares (%)</i>
Weina	–	110,000,000 (23.91%)	155,904,000 (30.82%)	460,000,000 (56.79%)
Otto Link Technology Ltd	126,700,000 (36.20%)	126,700,000 (27.54%)	126,700,000 (25.04%)	126,700,000 (15.64%)
Mr. Chak Joaquin Emilio Kin Man	96,824,000 (27.66%)	96,824,000 (21.05%)	96,824,000 (19.14%)	96,824,000 (11.95%)
Public	126,476,000 (36.14%)	126,476,000 (27.50%)	126,476,000 (25.00%)	126,476,000 (15.62%)
	350,000,000	460,000,000	505,904,000	810,000,000

In view of the differences between the Convertible Redeemable Preference Shares and the Preference A Shares (including the rights of the holders in respect of conversion and redemption), separate columns have been set out in this table for the purpose of illustrating the respective effects the conversion of these shares would have on the shareholding structure of the Company.

- (1) This column has been prepared on the basis of the full conversion of the 110,000,000 Preference A Shares as such conversion by itself would not have implications as regards the minimum public float of the Company.
- (2) Assumes conversion of 45,904,000 of the 350,000,000 Convertible Redeemable Preference Shares to ensure the minimum public float as prescribed under the Listing Rules is maintained.
- (3) This column is shown for reference purpose only as the full conversion of the 350,000,000 Convertible Redeemable Preference Shares and the 110,000,000 Preference A Shares would, in the absence of other changes in the shareholding structure of the Company, lead to the shareholding of the public shareholders falling below the minimum requirement under the Listing Rules.

LETTER FROM THE BOARD

THE OPTION CONVERTIBLE SHARES

The Option Convertible Shares to be issued at Completion (i) will not be listed on the Stock Exchange or any other stock exchanges and shall not be transferable; and (ii) have the same terms as the 250,000,000 Convertible Redeemable Preference Shares in issue. No conversion of the Option Convertible Shares into Ordinary Shares shall be made until the Listing Committee of the Stock Exchange has approved the listing of, and permission to deal in, the underlying 100,000,000 Ordinary Shares (on the basis of the Initial Conversion Price and assuming no adjustment is to be made to such conversion price) which may be issued following the exercise of conversion rights attaching to the Option Convertible Shares.

Weina, being the holder of the Convertible Redeemable Preference Shares, shall be entitled to receive notices of general meetings and to attend but not vote at such meetings. Each Convertible Redeemable Preference Share is entitled to be paid a fixed cumulative preferential dividend in priority to any payment to the holders of any other class of shares at the rate of 3.5% per annum on the amount paid up or credited as paid up.

CONVERSION PRICE AND ITS POSSIBLE ADJUSTMENTS

The Convertible Redeemable Preference Shares (including the 250,000,000 Convertible Redeemable Preference Shares already in issue and the 100,000,000 Convertible Redeemable Preference Shares to be issued upon the completion of the Transaction) are convertible into Ordinary Shares during the Conversion Period at the Initial Conversion Price (subject to adjustments). No additional sum is payable by Weina, being the holder of the Convertible Redeemable Preference Shares to the Company, at conversion. The Ordinary Shares which are to be issued on conversion of such Convertible Redeemable Preference Shares shall be credited as fully paid and rank *pari passu* and form one class in all respects with the Ordinary Shares then in issue. For comparisons of the Initial Conversion Price to the closing prices and the unaudited consolidated net asset value per Ordinary Share, please refer to the section headed "Background" above.

The Initial Conversion Price is subject to adjustments for the following events: alterations to the nominal value of the Ordinary Shares as a result of consolidation or subdivision, capitalisations of profits or reserves; capital distributions; rights or warrants issues; issues of shares or other securities at less than 80% of the then current market price or modifications to rights of conversion/exchange/subscription attaching to such securities; and other events where the Company determines that an adjustment should be made to the conversion price as a result of one or more events or circumstances not otherwise specified above and which may require adjustments to be determined by the Company's auditor or financial adviser. Such other events may, for illustrative purposes only, include issue of convertible instruments, open offer of the Ordinary Shares, spin-off of the Company's business or assets and a capitalization of loan by the Company. In any event, all adjustments to the Initial Conversion Price will be subject to the maintenance of the minimum 25% public float as required under the Listing Rules.

LETTER FROM THE BOARD

The right to convert the Convertible Redeemable Preference Shares may be exercised in full or in part only at the discretion of Weina, subject to the undertaking given by Weina not to convert where such conversion would lead to the percentage of the Ordinary Shares held by the public falling below 25% as required under the Listing Rules and the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Ordinary Shares to be issued following the conversion of the Convertible Redeemable Preference Shares. The Company and Weina may agree to extend the Conversion Period for a period of not more than 12 months. The Company has the right, exercisable immediately following the end of the Conversion Period (prior to any extension thereof) and up to the third anniversary of the date of the initial issue of the 250,000,000 Convertible Redeemable Preference Shares (which took place on 30 June 2006), to require the mandatory conversion of all or part of the outstanding Convertible Redeemable Preference Shares into new Ordinary Shares, or to require the redemption of all or part of the outstanding Convertible Redeemable Preference Shares at the amount equal to all amounts paid up or credited as paid up on the Convertible Redeemable Preference Shares. In the event that the Conversion Period is extended, the Company's right to require the mandatory conversion of the outstanding Convertible Redeemable Preference Shares shall be deferred and shall be exercisable immediately following the end of the Conversion Period (as extended) and for a period of 10 business days thereafter.

For details on the abovementioned adjustments to the conversion price, please refer to the section headed "Adjustments To The Conversion Price" in Appendix I to this circular. Appendix I also contains the detailed terms of the Convertible Redeemable Preference Shares including redemption, dividend, the non-voting and non-transferability of the Convertible Redeemable Preference Shares.

IMPLICATIONS UNDER THE CODE

Completion of the Transaction would not immediately have any implication under the Code as Weina would only have interests in non-voting shares of the Company.

The aggregate shareholding of Weina in the Company following the completion of the Transaction and the partial conversion of 350,000,000 Convertible Redeemable Preference Shares and the 110,000,000 Preference A Shares (as the case may be) may result in it holding 30% or more of the then issued ordinary share capital and, accordingly, Weina (and, if applicable, its concert parties) would be under an obligation to make a mandatory general offer under the Code for all of the Ordinary Shares not held by it or parties acting in concert with it. In the event that Weina is required to make a mandatory general offer under the Code, this may result in a change of control of the Company.

LETTER FROM THE BOARD

DILUTION EFFECT

Given that upon full conversion of the aggregate 350,000,000 Convertible Redeemable Preference Shares and the 110,000,000 Preference A Shares, Weina will own approximately 57% of the enlarged issued ordinary share capital of the Company, the Company is required to disclose by way of an announcement all relevant details of the conversion of the Convertible Redeemable Preference Shares and/or the Preference A Shares in the following manner:

- (i) the Company will make a monthly announcement (the “Monthly Announcement”). Such announcement will be made on or before the fifth business day following the end of each calendar month following the commencement of the Conversion Period and will include the following details in a table:
 - a. whether there is any conversion of the Convertible Redeemable Preference Shares and/or the Preference A Shares during the relevant month (if so, details of the conversion(s), including the conversion date, number of conversion shares issued, and conversion price for each conversion or, if there is no conversion during the relevant month, a negative statement to that effect);
 - b. the number of outstanding Convertible Redeemable Preference Shares and Preference A Shares after any conversions;
 - c. the total number of Ordinary Shares issued pursuant to other transactions, including Ordinary Shares issued pursuant to the exercise of options under any share option scheme(s) of the Company; and
 - d. the total issued share capital of the Company as at the commencement and the last day of the relevant month;
- (ii) in addition to the Monthly Announcement, if the cumulative amount of the Ordinary Shares issued pursuant to the conversion of the Convertible Redeemable Preference Shares and/or the Preference A Shares reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Redeemable Preference Shares and/or the Preference A Shares (as the case may be) (and thereafter in multiples of 5%), the Company will make an announcement including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Redeemable Preference Shares and/or the Preference A Shares (as the case may be) up to the date on which the total amount of Ordinary Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Redeemable Preference Shares and/or the Preference A Shares (as the case may be); and
- (iii) if the Company forms the view that any issue of the Ordinary Shares under the Convertible Redeemable Preference Shares and/or the Preference A Shares as set out in (i) or (ii) above will trigger a disclosure obligation under Rule 13.09 of the Listing Rules, then the Company will be obliged to make such a disclosure regardless of the issue of any other announcement in relation to the Convertible Redeemable Preference Shares and/or the Preference A Shares.

LETTER FROM THE BOARD

If the Convertible Redeemable Preference Shares and the Preference A Shares have been fully converted or redeemed, the Monthly Announcement requirements set out above will cease immediately.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The proposed Transaction is part of the ongoing process to provide adequate finance for the ongoing business operations of the Group. The Directors consider that the Transaction will also strengthen the liquidity of the Group. As set out in the paragraph headed "Use of Proceeds" below, the proceeds raised from the Transaction will be used to reduce the bank indebtedness of the group and to maintain the operations of the Group going forward. As the trading of the Ordinary Shares on the Stock Exchange remains suspended, the Directors consider the exercise of the Option by the Company as a good opportunity for the Group to raise finance for its business operations and to improve its financial position. The Directors (including the independent non-executive Directors who are members of the independent board committee and whose view(s) are set out in this circular) are of the opinion that the terms of the Transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

USE OF PROCEEDS

The additional gross proceeds from the exercise of the Option amount to approximately HK\$40,000,000, with the estimated net proceeds to be approximately HK\$39,400,000 and it is intended that approximately 80% of which will be used as general working capital of the Group (including costs and expenses of operation such as finance costs and administration costs) and the remaining 20% for repayment of bank indebtedness.

INFORMATION ON THE GROUP

The principal activities of the Group are investment holding, design, supply and integration of automation and control system, and the trading of automation products, electronic components and natural resources such as iron ore, iron sand, coal and other natural mineral products and property investments.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising the three independent non-executive directors, namely Mr. Lau Sai Chung, Mr. Ng Kwok Chu, Winfield and Mr. Poon Lai Yin, Michael, was formed to give advice to the Independent Shareholders on how they should vote in relation to the Transaction.

Shareholders should note that based on the advice of VXLFS, the Independent Board Committee considers that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INDEPENDENT FINANCIAL ADVISER

VXLFS has been appointed the independent financial adviser to give advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction.

LETTER FROM THE BOARD

PROPOSED AMENDMENTS TO THE ARTICLES

At the EGM, a resolution will be proposed by way of special resolution to amend the Articles in relation to the filling in of casual vacancy of the auditor of the Company so as to allow more flexibility for the Directors to have the power to make such appointment rather than for such appointment to be made through the approval of the Shareholders at an extraordinary general meeting. Pursuant to the proposed Special Resolution, the following new articles 155(1) and 158 will replace the existing corresponding articles:–

- “155(1). The Company shall at each annual general meeting appoint one or more firms of auditors to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Directors, but if an appointment is not made, the Auditor in office shall continue in office until a successor is appointed. A Director, officer or employee of the Company or any of its subsidiaries or a partner, officer or employees of any such Director, officer or employee shall not be appointed Auditor of the Company.”
- “158. If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors may fill any casual vacancy in the office of Auditor, but while any such vacancy continues the surviving or continuing Auditor may act.”

Details of the proposed Special Resolution are also set out in the notice of EGM.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Central Plaza Executive Club, P Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 8 June 2007 at 10:00 a.m. at which (i) an ordinary resolution shall be proposed to the Independent Shareholders to approve the Transaction as set out above and (ii) a special resolution shall be proposed to amend the Articles in relation to the filling in of a casual vacancy of the auditors of the Company, are set out on pages 46 to 47 of this circular.

As the exercise of the Option involving the issuance of the Option Convertible Shares to Weina constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, the Transaction is subject to approval of the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, Mr. Stephen Tsim held 100,000 Ordinary Shares in the Company and is a connected person of the Company by virtue of his being a director of a subsidiary of the Company. As mentioned above, Weina is an associate of Mr. Stephen Tsim. Accordingly, Mr. Stephen Tsim and his associates will abstain from voting at the EGM in respect of the Transaction and that the votes of the Shareholders on the Ordinary Resolution at the EGM will be taken by way of a poll. Save for the aforesaid, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date none of the connected persons nor any other Shareholders or their respective associates has any material interest in the Transaction and is required under the Listing Rules to abstain from voting at the EGM.

A form of proxy to be used at the EGM is enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy to the principal place of business of the Company in Hong Kong at Suite 1304, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Taking into consideration of the principal factors and reasons set out above, the Directors (including the Independent Non-executive Directors) consider that the terms of the Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the Independent Non-executive Directors, whose recommendation is set out in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee which is set out on page 15 of this circular. Your attention is also drawn to the letter of advice from VXLFS which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Transaction, details of which are set out on pages 16 to 27 of this circular.

Having considered the reasons set out herein, the Directors consider that the proposed special resolution for the amendments to the Articles is in the best interests of the Company as a whole. The Directors therefore recommend the Shareholders to vote in favour of such resolution at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the addition information set out in Appendices I to II to, and the notice of the EGM of, this circular.

Yours faithfully,
For and on behalf of
The Quaypoint Corporation Limited
Gerard McMahon
Chairman



THE QUAYPOINT CORPORATION LIMITED

紀翰集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

11 May 2007

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION –
Exercise of Option Involving Issuance of
Additional Convertible Redeemable Preference Shares**

We refer to the circular dated 11 May 2007 of which this letter forms part. Terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

As the Directors who are independent of the parties to the Transaction, we have been appointed as members of the Independent Board Committee to consider the terms of the Transaction and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole. VXLFS has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from VXLFS on pages 16 to 27 of the circular.

We also wish to draw your attention to (i) the letter from the Board; (ii) the detailed terms of the Convertible Redeemable Preference Shares set out in Appendix I to the circular; and (iii) the additional information set out in the appendices to the circular.

Having taken into account the terms of the Transaction and the advice of VXLFS, we consider the terms of the Transaction to be fair and reasonable and in the interests of the Company and its Shareholders as a whole so far as the Independent Shareholders are concerned and, accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,

For and on behalf of

The Independent Board Committee

LAU Sai Chung

NG Kwok Chu, Winfield

POON Lai Yin, Michael

Independent Non-Executive Directors

* for identification purposes only

LETTER FROM VXLFS

The following is the text of a letter of advice from VXLFS to the Independent Board Committee and the Independent Shareholders in respect of the terms of Transaction, which has been prepared for the purpose of inclusion in this circular.

VXL Financial Services Limited
Unit 3214, 32nd Floor, Cosco Tower
Grand Millennium Plaza (High Block)
183 Queen's Road Central
Hong Kong



11 May 2007

*To the Independent Board Committee and the Independent Shareholders
of The Quaypoint Corporation Limited*

Dear Sirs,

CONNECTED TRANSACTION – Exercise of Option involving issuance of additional Convertible Redeemable Preference Shares

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 11 May 2007 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 26 May 2006, the Company entered into the Subscription and Option Agreement with Weina pursuant to which (i) the Company had issued to Weina 250,000,000 Convertible Redeemable Preference Shares at a subscription price of HK\$0.40 each that may be convertible into 250,000,000 Ordinary Shares at a conversion price of HK\$0.40 per share (subject to adjustment); and (ii) Weina had granted the Option to the Company and upon the exercise of which during the Option Period, Weina will be required to subscribe for the Option Convertible Shares at a subscription price of HK\$0.40 each (“Subscription Price”) that may be convertible into 100,000,000 Ordinary Shares at a conversion price of HK\$0.40 per share (subject to adjustment). On 13 April 2007, the Company exercised the Option by serving a notice on Weina pursuant to which Weina will subscribe for the Option Convertible Shares at an aggregate consideration of HK\$40,000,000.

Notwithstanding that each of the transactions contemplated under the Subscription and Option Agreement including, inter alia, the subscription of the Option Convertible Shares by Weina, has been approved by the Shareholders at the extraordinary general meeting of the Company held on 28 June 2006, as Weina is an associate of Mr. Stephen Tsim and a connected person of the Company for the purpose of the Listing Rules, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to approval of the Independent Shareholders at the EGM. Mr. Stephen Tsim and his associates will be required to abstain from voting at the EGM. Subject to the satisfaction of the aforesaid condition, completion of the Transaction will take place within 14 business days following the date of approval of the Transaction by the Independent Shareholders at the EGM.

LETTER FROM VXLFS

An Independent Board Committee comprising Mr. Lau Sai Chung, Mr. Ng Kwok Chu, Winfield and Mr. Poon Lai Yin, Michael, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In our capacity as the independent financial adviser, our role is to give an independent opinion and recommendation to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and provided to us by the Company, the Directors and the management of the Company. We have assumed that all the information, facts, opinions and representations provided to us or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and continue to be so up to the date of the EGM and may be relied upon. We have also assumed that all the statements of beliefs, opinions, assumptions and intentions made by the Directors in the Circular were made reasonably after due and careful enquiry and were based on honestly-held opinion. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Company, the Directors and its management and have been confirmed by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular which would make any statement contained in the Circular misleading.

We consider that we have reviewed currently available information and documents, which are available under the present circumstances to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our recommendation. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate or misleading. We have not, however, carried out any form of independent verification on the information provided, nor have we conducted any form of independent investigation into the business, affairs, operations, financial position or future prospects of the Company or Weina or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Transaction, we have considered the following principal factors and reasons:

1. Background to and reasons for the Transaction

The principal activities of the Group are investment holding, design, supply and integration of automation and control system, and the trading of automation products, electronic components and natural resources such as iron ore, iron sand, coal and other natural mineral products and property investments.

Weina is an investment holding company incorporated in the British Virgin Islands in 1997 with limited liability and is indirectly owned as to 70% and 30% by Mr. Tsim and his spouse respectively. Mr. Tsim is the father of Mr. Stephen Tsim, who holds 100,000 Ordinary Shares and has been a director of a subsidiary of the Company since 1 March 2007. Weina is therefore an associate of Mr. Stephen Tsim and

LETTER FROM VXLFS

a connected person of the Company for the purpose of the Listing Rules. As at the Latest Practicable Date, Weina holds (i) 250,000,000 Convertible Redeemable Preference Shares; and (ii) 110,000,000 Preference A Shares which were issued by the Company, pursuant to the Subscription and Option Agreement dated 26 May 2006 as set out in the June Circular and the sale and purchase agreement dated 17 November 2006 as set out in the December Circular respectively.

Pursuant to the Subscription and Option Agreement, Weina has granted the Option to the Company to require Weina during the Option Period to subscribe for the Option Convertible Shares at the Subscription Price. The Option Period commenced on 1 April 2007 and will end on the date following the one month prior to the end of the third anniversary of the initial issue of the 250,000,000 Convertible Redeemable Preference Shares which took place on 30 June 2006.

On 13 April 2007, the Company by serving a notice on Weina, required Weina to subscribe for the Option Convertible Shares at the Subscription Price as agreed in the Subscription and Option Agreement. As stated in the June Circular, the entering of the Subscription and Option Agreement in May 2006 to issue the Convertible Redeemable Preference Shares was considered to be a good opportunity for the Company to raise additional equity funding for the Company and as a result, to better enhance its financial position which enable the Group to undertake investments in connection with any possible business diversification.

We note from the latest published interim report of the Company for the six months ended 31 December 2006 (the "2006/2007 Interim Report") that the cash and bank balance of the Group and the total bank borrowings of the Group as at 31 December 2006 amounted to approximately RMB36.5 million and RMB109.6 million respectively. The cash and bank balances of the Group have decreased by approximately 62.3% whereas the total bank borrowings have increased by approximately 12.0% as compared to those as at 30 June 2006. Total asset of the Group amounted to approximately RMB217.7 million as at 31 December 2006. The Group has gearing ratio (as defined by the total bank borrowings of the Group to the total assets of the Group) of approximately 50.4% as at 31 December 2006.

The Group had incurred audited net loss for the two years ended 30 June 2006 and unaudited net loss for the six months ended 31 December 2006 of approximately RMB19.1 million, RMB247.5 million and RMB14.2 million respectively. As referred to in the 2006/2007 Interim Report, the aforesaid net loss for the six months ended 31 December 2006 was mainly due to the loss of key customers on the trading of automation products as a result from a setback in the Group's image over certain unexpected incidents suffered by the Group in 2006. As mentioned in the 2006/2007 Interim Report, at of 31 December 2006, with most of its litigation issues being resolved (remaining being a litigation involving approximately RMB60.7 million, which is under appeal), the Group aims to move into the next phase to pro-actively revamp its business growth on three major business fronts: technology, trading and property investment. We understand from the management of the Company that in view of the financial position of the Group, the Transaction can further enhance the liquidity of the Group by providing additional cash inflow of approximately HK\$31.5 million as general working capital for the business operations of the Group. As discussed with the management of the Company, upon completion of the Transaction, the net proceeds from the Transaction of approximately HK\$39.4 million is intended to be utilised as to 80% as general working capital of the Group for (i) the operation of the Group's businesses including the provision of industrial technology products and related consultancy services and the trading of electronic products and natural resources, which is in line with the business strategy of the Group as mentioned in the 2006/2007 Interim Report; and (ii) the general overheads of the Group and 20% for the repayment of bank indebtedness of the Group. Details of the financial effect of the Transaction to the Group are set out in the section headed "Financial effects of the Transaction" below.

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Furthermore, the trading in the shares of the Company was suspended since 16 March 2006 due to certain alleged guarantees as referred to in the announcement of the Company dated 25 May 2006. As a result of the said suspension of the trading in the shares of the Company, it is not easy for the Company to raise funds by means of equity financing including, among others, the issue of the Ordinary Shares. As such, we consider the Transaction provides a good opportunity for the Company to raise additional funds for the ongoing business operations of the Group. In view of the current financial position of the Group and the benefits of the Transaction mentioned above, we concur with the Directors that the Transaction will strengthen the liquidity of the Group and thus in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Transaction

(i) Consideration for the Transaction

Pursuant to the Subscription and Option Agreement, upon serving a notice on Weina by the Company on 13 April 2007, Weina is required to subscribe for the Option Convertible Shares at a consideration of HK\$40,000,000, representing a subscription price of HK\$0.40 per Option Convertible Share. The Subscription Price was determined after arm's length negotiations between the Company and Weina at the time the Subscription and Option Agreement was entered into. We further note from the June Circular and the December Circular that the Subscription Price is equivalent to the subscription price for the subscription of the 250,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription and Option Agreement and the conversion price of the Preference A Shares.

The Subscription Price represents a premium of approximately 21.2% to the closing price of HK\$0.33 per Ordinary Share as quoted on the Stock Exchange on 15 March 2006 (being the last trading day prior to the suspension of trading in the Ordinary Shares), and a premium of approximately 21.2% and to the average closing price in HK\$0.33 per Ordinary Share of the 5 and 10 trading days up to and including 15 March 2006. As the trading in the Ordinary Shares has been suspended since 16 March 2006, which has been more than 12 months preceding the Latest Practicable Date, we consider it is inappropriate to assess the fairness and reasonableness of the Subscription Price by reference to the closing price of the Ordinary Share prior to its suspension.

As the Group incurred a loss for the two financial years ended 30 June 2005 and 2006 and the six months ended 31 December 2006 of approximately RMB19.1 million, RMB247.5 million and RMB14.2 million respectively, we are unable to perform comparison between the Subscription Price and the earnings per Ordinary Share.

In order for us to assess the fairness and reasonableness of the Subscription Price, we have made reference to the premium of the Subscription Price to the consolidated net asset value per Ordinary Share. The Subscription Price represents a premium of approximately 148% over the unaudited consolidated net asset value per Ordinary Share as at 31 December 2006 of approximately RMB0.159 (equivalent to approximately HK\$0.161).

For the purpose of assessing the market value of shares of the companies which are engaged in similar business as that of the Group so as to analyse whether the Subscription Price is fair and reasonable, we have taken into account the comparison of (i) the premium of the Subscription Price to the unaudited consolidated net asset value per Ordinary Share and (ii) the premium/ (discount) of the closing price to net asset value per share of other companies listed on the Main Board of the Stock Exchange which are principally engaged in designs, supplies and integrates automation and control systems, in which the Group is engaged in ("Listed Comparables"). We

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have identified six Listed Comparables to illustrate the premium/discount of their respective closing price to net asset value per share as shown in the following tables:

Name of the Listed Comparables (Stock code)	Principal business of the Listed Comparables	Net asset value per share of the Listed Comparables (Note 1) HK\$	Closing price of the shares of the Listed Comparables as at the Latest Practicable Date HK\$	Premium/ (discount) of the closing price as at the Latest Practicable Date to the net asset value per share (Note 1) (%)
Computer and Technologies Holdings Ltd. (Stock code: 0046)	Provides systems integration services, distributes computer hardware and software and related accessories technical services and e-business related services and invests in properties and treasury securities.	1.164	1.13	(2.92)%
CITIC 21CN Company Ltd. (Stock code: 0241)	Provides telecommunications value-added services (VAS), and operates a platform for electronic customs processing, system integration and software development services.	0.104	0.93	794.23%
Founder Holdings Ltd. (Stock code: 0418)	Develops software and provides systems integration services, and distributes computer products and invests in real estate.	0.359	0.66	83.84%
Linfair Holdings Ltd. (Stock code: 0462)	Provides engineering systems contracting services and supporting services for and sale of related spare parts and consumables to customers.	0.270	1.97	629.63%
FinTronics Holdings Co. Ltd. (Stock code: 0706)	Develops application software and provides system integration services and develops and sells general software products and manufactures and sells plastic casings for computer equipment.	0.147	0.58	294.56%
Automated Systems Holdings Ltd. (Stock code: 0771)	Sells computer equipment, computer software, patents, and license and provides system integration, systems development, maintenance and outsourcing services.	1.688	2.35	39.22%
			Highest	794.23%
			Lowest	(2.92)%
			Average	306.43%

LETTER FROM VXLFS

		Net asset value per Ordinary Share <i>(Note 1)</i> RMB	Subscription Price HK\$	Premium of Subscription Price to the net asset value per Ordinary Share <i>(Note 1)</i>
The Company	Investment holding, design, supply and integration of automation and control system, and the trading of automation products, electronic components and natural resources such as iron ore, iron sand, coal and other natural mineral products and property investment.	0.159 (equivalent to approximately HK\$0.161)	0.40	148.45%

Note:

1. Net asset value per share/Ordinary Share calculated based on the net asset value of the Listed Comparables/the Company as set out in their respective latest published interim report or annual report.

As noted from the table above, notwithstanding the premium of the Subscription Price to the Group's unaudited consolidated net asset value per Ordinary Share of approximately 148.45% is lower than the average premium of the closing price as at the Latest Practicable Date to the net asset value per share of the Listed Comparables of approximately 306.43%, it is within the range of the Listed Comparables between a premium of 794.23% and a discount of 2.92% of the closing price as at the Latest Practicable Date to the net asset value per share. Based on the foregoing, we consider that the Subscription Price of the Option Convertible Shares, representing HK\$0.40 each is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Conversion Price and its possible adjustment

The price at which the Option Convertible Shares can be converted into new Ordinary Shares is HK\$0.40 per share ("Initial Conversion Price"), in the absence of any adjustment, which is the same as the Subscription Price and such price was determined after arm's length negotiations. The existence for the adjustment was to cater for events which may happen to affect the conversion price which may require adjustments to be determined by the Company's auditors or financial adviser. The Initial Conversion Price is subject to adjustments for the following events: alterations to the nominal value of the Ordinary Shares as a result of consolidation or subdivision, capitalizations of profits or reserves; capital distributions; rights or warrants issues; issues of shares or other securities at less than 80% of the then current market price or modifications to rights of conversion/exchange/subscription attaching to such securities; and other events where the Company determines that an adjustment should be made to the conversion price as a result of one or more events or

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circumstances not otherwise specified above and which may require adjustments to be determined by the Company's auditor or financial adviser). Such other events may, for illustrative purposes, include issue of convertible instruments, open offer of the Ordinary Shares, spin-off of the Company's business or assets and a capitalization of loan by the Company. In any event, all adjustments to the Initial Conversion Price will be subject to the maintenance of the minimum 25% public float as required under the Listing Rules. Details of the events in which adjustment to the Initial Conversion Price is subject to are set out in Appendix I to the Circular. As stated in the Letter from the Board, in any event, there would not be additional sum payable by Weina, being the holder of the Convertible Redeemable Preference Shares (including the Option Convertible Shares to be issued upon completion of the Transaction), to the Company at conversion.

The adjustment clauses can generally be categorized as those regarding:

- (i) changes in the capital structure of the shares of the Company, such as alteration to nominal value as a result of subdivision, consolidation or reclassification;
- (ii) issuance of additional shares such as rights issue or other convertibles;
- (iii) substantial distributions and offers to Shareholders; and
- (iv) other events which the Company determines that an adjustment should be made.

While the adjustments under most scenarios are specifically catered for, the effects to the Shareholders due to certain categories listed above could not be quantified as at the date hereof given the vast array of possible corporate actions of the Company from time to time, the potential effect of which cannot be clearly specified. We noted however that in such events, the Company is required to engage the auditors or financial adviser to advise on the appropriateness of the adjustment which we consider to be a measure sufficient to ensure the fairness of the adjustment for the protection of the interests of the Shareholders.

LETTER FROM VXLFS

Although the effect to the Shareholders due to certain categories listed above could not be quantified as at the date hereof given the vast array of possible corporate actions of the Company from time to time, we seek to, for the sole purpose of illustration, set out in the table below the hypothetical shareholding structure of the Company immediately before and after the full conversion of the Option Convertible Shares, assuming that the Conversion Price was adjusted to HK\$0.10 each, being the lowest possible conversion price given no share of the Company can be issued below the par value of the Ordinary Shares of HK\$0.1 each:

	Shareholding structure as at the Latest Practicable Date		Upon full conversion of the Option Convertible Shares at adjusted Conversion Price of HK\$0.10 each	
	<i>No. of Ordinary Shares</i>	<i>(%)</i>	<i>No. of Ordinary Shares</i>	<i>(%)</i>
	Weina	–		400,000,000
Otto Link Technology Ltd. (Note 1)	126,700,000	36.20	126,700,000	16.90
Mr. Chak Joaquin	96,824,000	27.66	96,824,000	12.91
Emilio Kin Man				
Public	126,476,000	36.14	126,476,000	16.86
	<u>350,000,000</u>	<u>100.00</u>	<u>750,000,000</u>	<u>100.00</u>

Based on the hypothetical analysis above, the shareholdings of the existing public shareholders may be diluted from approximately 36.14% to approximately 16.86%. Such hypothetical dilution effect has not taken into account (i) the number of additional Ordinary Shares fall to be issued as a result of the possible corporate action to be carried out by the Company which triggered the said adjustment, and (ii) the public float requirement for the shares of the Company of 25% from time to time.

The adjustment clauses are negotiated on an arm's length basis between the Company and Weina. We have reviewed the adjustment mechanism as referred to in Appendix I to the Circular. We have also reviewed the adjustment clauses and mechanism contemplated under the issue of convertible redeemable preference shares of the Dividend Comparable Companies (as defined hereinafter) and are of the view that, notwithstanding the dilution effect to the public Shareholders as referred to in the hypothetical analysis above, the adjustment clauses and mechanism contemplated under the Option Convertible Shares are (i) comparable to (if not more favorable to the Company and the Shareholders) those of Dividend Comparable Companies; and (ii) in line with common market practice.

Based on the foregoing, we are of the view that Initial Conversion Price and the adjustment clauses as referred to in Appendix I to the Circular are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM VXLFS

(iii) Dividend yield

Pursuant to the Subscription and Option Agreement, each Option Convertible Share is entitled to be paid a fixed cumulative preferential dividend in priority to any payment to the holders of any other class of shares at the rate of 3.5% per annum on the amount paid up or credited as paid up.

We have compared the said dividend yield to the dividend (if any) in other convertible redeemable preference shares issued by other companies listed on the Main Board of the Stock Exchange (“Dividend Comparable Companies”) for the past twelve months prior to the Latest Practicable Date as follows:

Name of Dividend Comparable Companies	Date of announcement	Type of shares	Total amount of funds raised	Dividend yield per annum
Regent Pacific Group Limited (Stock code: 0575)	7 September 2006	Redeemable convertible preference shares	USD6.25 million (approximately HK\$48.75 million)	8.5%
Paladin Limited (Stock code: 0495)	8 June 2006	Convertible redeemable preference shares	HK\$66 million	8%
China HealthCare Holdings Limited (Stock code: 0673)	28 April 2006	Redeemable convertible cumulative preference shares	USD15 million (approximately HK\$116.4 million)	2%
			Highest	8.5%
			Lowest	2%
			Average	6.2%

Based on the comparisons above, we noted that the dividend yield from the Option Convertible Shares of 3.5% per annum is lower than the average dividend yield of approximately 6.2% from other convertible redeemable preference shares issued by the Dividend Comparable Companies for the past 12 months. Taking into account the amount of funds to be raised of approximately HK\$40 million from the allotment and issue of the Option Convertible Shares and the two comparables above which raised approximately HK\$48.75 million and HK\$66 million respectively, the dividend yield from the Option Convertible Shares of 3.5% per annum is lower than the dividend yield from the said comparables of 8% per annum and 8.5% per annum.

Furthermore, we note from the management of the Company that the average normal interest rate for the bank borrowings of the Company as at 31 December 2006 was approximately 5% to 6% per annum.

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As the dividend payable by the Company for the Option Convertible Shares of 3.5% per annum is lower than (i) the average dividend yield of approximately 6.2% from the convertible redeemable preference shares issued by the Dividend Comparable Companies for the past 12 months; (ii) the dividend yields of approximately 8% and 8.5% from the aforesaid comparables which raised similar amount of funds as to those of the Company raised from the allotment and issue of the Option Convertible Shares; and (iii) the average bank borrowing cost of the Company as referred to above, we consider that the raising of funds by means of the issue of Option Convertible Shares contemplated under the Transaction is a more cost effective method for the Company as compared to bank borrowings and thus is fair and reasonable and in the interests of the Company and the Shareholders as the whole.

(iv) Redemption

One of the principal terms of the Transaction is the right to redeem the Option Convertible Shares exercisable by the Company. Pursuant to the Subscription and Option Agreement, the Company has the right, immediately following the end of the Conversion Period (prior to any extension thereof) and up to 30 June 2009, to require the mandatory conversion of all or part of the outstanding Option Convertible Shares into new Ordinary Shares, or to make the redemption of all or part of the Option Convertible Shares at the amount equal to all amounts paid up or credited as paid up on Option Convertible Shares. We consider the right to redeem the Option Convertible Shares by the Company provides flexibility to the Company to manage the conversion of Option Convertible Shares to its Ordinary Shares by reference to the financial position of the Group at the aforesaid period of time which the redemption right can be exercised. In the event the Group were to have strong financial position, it may exercise such redemption right should the Company consider that the redemption of the Option Convertible Shares to be in the interest of the Company and the Shareholders. In addition, in the event the Company redeems all or part of the Option Convertible Shares, the amount required to be paid by the Company will be at the amount equivalent to all amounts paid up or credited as paid up on Option Convertible Shares. As such, we are of the view that the redemption right exercisable at the option of the Company is fair and reasonable so far as the Shareholders are concerned.

We have reviewed the other terms of the Option Convertible Shares as set out in Appendix I to the Circular which are the same with the terms as the 250,000,000 Convertible Redeemable Preference Shares in issue, we are of the view that the terms of the Transaction are on normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

3. Possible dilution effect on shareholding of the Company

As the Option Convertible Shares to be issued at completion will not be listed on the Stock Exchange or any other stock exchanges and shall not be transferable, the issue of the Option Convertible Shares will not have any immediate dilution effect on the shareholding of the Company prior to conversion of the Option Convertible Shares. As at the Latest Practicable Date, the Company has 350,000,000 Ordinary Shares in issue. As stated in the Letter from the Board, upon full conversion of the Convertible Redeemable Preference Shares (including the Option Convertible Shares under the Transaction) and all Preference A Shares, Weina will hold as to 56.79% of the enlarged total issued capital of the Company (assuming no adjustment is to be made on the Conversion Price). Weina has undertaken to the Company that it will not convert the Convertible Redeemable Preference Shares or Preference A Shares to the extent that the public float requirement of 25% under the Listing Rules cannot be maintained upon conversion.

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The table below sets out the shareholding structure of the Company immediately before and after the conversion of the Option Convertible Shares (on the basis of the Initial Conversion Price and assuming no adjustment is to be made to such conversion price as well as no other change in the shareholding structure of the Company), assuming none of the 250,000,000 Convertible Redeemable Preference Shares nor the Preference A Shares has been converted by Weina.

	Shareholding structure as at the Latest Practicable Date		Upon full conversion of the Option Convertible Shares	
	<i>No. of Ordinary Shares</i>	<i>(%)</i>	<i>No. of Ordinary Shares</i>	<i>(%)</i>
Weina	–		100,000,000	22.22
Otto Link Technology Ltd. <i>(Note 1)</i>	126,700,000	36.20	126,700,000	28.16
Mr. Chak Joaquin	96,824,000	27.66	96,824,000	21.52
Emilio Kin Man				
Public	126,476,000	36.14	126,476,000	28.10
	<u>350,000,000</u>	<u>100.00</u>	<u>450,000,000</u>	<u>100.00</u>

Note:

- Dr. Sze Kwan, an executive Director, is deemed to be interested in the 126,700,000 Shares by virtue of his controlling interest in Otto Link Technology Limited which is beneficially owned as to 80% by Dr. Sze Kwan and 20% by Mr. Siek Fui, all being executive Directors.

Upon the conversion of the Option Convertible Shares in full and on the basis that none of the other Convertible Redeemable Preference Shares nor the Preference A Shares is converted and that there is no other change in the number of Ordinary Shares in issue, the 100,000,000 Ordinary Shares to be issued at conversion (on the basis of the initial conversion price of HK\$0.40 per Ordinary Share and that no adjustment is to be made to such conversion price) will represent approximately 28.57% of the existing issued share capital of the Company and approximately 22.22% of the issued share capital of the Company as enlarged by the full conversion thereof. As shown in the above tables, immediately upon the conversion of the Option Convertible Shares, the shareholding of the public Shareholders will be diluted from approximately 36.14% to approximately 28.10%. The shareholdings of each of the Shareholders will be diluted proportionately by approximately 22.22%. Notwithstanding the shareholding of public Shareholders will be diluted from approximately 36.14% to approximately 28.10%, after taking into account the benefits of the Transaction to the Group as discussed above, including inter alia, to provide finance for the ongoing business operations of the Group and strengthen the liquidity of the Group, we are of the view that the said dilution effect on the shareholding of the public Shareholders to be fair and reasonable.

4. Financial effects of the Transaction

The following analysis is based on the assumption that there will not be any changes to the total issued share capital of the Company from the Latest Practicable Date to the completion of the Transaction.

(i) *Net asset value*

The Group has unaudited net asset value of approximately RMB55.8 million (equivalent to approximately HK\$56.1 million) as at 31 December 2006 as stated in the 2006/2007 Interim Report. Immediately upon completion of the Transaction, the net asset value of the Group is expected to increase by the amount of consideration of the Transaction of HK\$40.0 million.

(ii) *Liquidity and gearing ratio*

Upon completion of the Transaction, the estimated net proceeds of HK\$39.4 million will strengthen the liquidity of the Group by providing a positive cash inflow to the Group. As at 31 December 2006, the Group had total bank borrowings of approximately RMB109.6 million (equivalent to approximately HK\$110.2 million) and gearing ratio (as defined by total bank borrowings of the Group to the total assets of the Group) of approximately 50.4%. We note from the Letter from the Board that approximately HK\$31.5 million, representing 80% of the estimated net proceeds of HK\$39.4 million, will be used as general working capital for the daily operation of the Group and the remaining 20% of approximately HK\$7.9 million will be used for the repayment of bank indebtedness. Accordingly, the total assets of the Group is expected to increase by approximately HK\$31.5 million and the total bank borrowings is expected to reduce by approximately HK\$7.9 million, the gearing ratio of the Group will be expected to reduce to approximately 40.8%.

Having considered the Transaction will have positive effects to the overall financial position of the Group, we are of the view that the Transaction will be in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the principal factors and reasons as discussed above, in particular, the following:

- (i) the Transaction will strengthen the liquidity of the Group and provide additional funds for the business operations of the Group;
- (ii) the Subscription Price of the Option Convertible Shares contemplated under the Transaction, representing a premium of approximately 148.45% to the Group's unaudited consolidated net asset value per Ordinary Share is within the range of the Listed Comparables between a premium of 794.23% and a discount of 2.92% of the closing price as at the Latest Practicable Date to the net asset value per share;
- (iii) the Initial Conversion Price and the adjustment clauses related thereto are fair and reasonable to the Company and the Shareholders;

LETTER FROM VXLFS

- (iv) the dividend yield from the Option Convertible Shares of 3.5% per annum is lower than (i) the average dividend yield of approximately 6.2% from other convertible redeemable preference shares issued by the Dividend Comparable Companies for the past 12 months; (ii) the dividend yields of approximately 8% and 8.5% of the aforesaid comparables which raised similar amount of funds; and (iii) the average bank borrowing cost of the Company;
- (v) the dilution on shareholdings of the public Shareholders from approximately 36.14% to approximately 28.10% immediately upon the full conversion of the Option Convertible Shares and the shareholdings of each of the Shareholders will be diluted proportionately; and
- (vi) the Transaction will have positive effects to the financial position of the Company,

we consider that the terms of the Transaction are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,
For and on behalf of
VXL Financial Services Limited
Gary Mui
Director

The Convertible Redeemable Preference Shares confer on the holders thereof the following rights and privileges.

1. INTERPRETATION

In these terms, unless the context otherwise requires, the following expressions shall have the following meanings:

“Auditor”	the auditors for the time being of the Company or, if they are unable or unwilling to carry out any action requested of them pursuant to the terms of this Schedule, such other firm of international accountants or a merchant or investment bank registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as shall be selected by the Company;
“business day”	a day (other than Saturday or Sunday) on which licensed banks in Hong Kong are generally open for business;
“Capital Distribution”	any dividend or distribution of any nature whatsoever to Members (in their capacity as such) unless (and to the extent that) it is for an amount (in aggregate for each 12 months) not exceeding 75% of the Company’s net profit after tax but before exceptional items for the immediately preceding financial year;
“Conversion Date”	the business day immediately following the date of surrender of the certificates in respect of the Convertible Redeemable Preference Shares and delivery of a valid Conversion Notice;
“Conversion Notice”	notice that a Convertible Redeemable Preference Shareholder wishes to exercise his rights of conversion in respect of any Convertible Redeemable Preference Shares;
“Conversion Period”	subject to the Listing Committee having granted the approval for the permission to deal in, and the listing of, such number of Shares arising on conversion, the period (a) from 1 April 2007, or if on such date the trading of the Shares on The Stock Exchange of Hong Kong Limited is or otherwise remains suspended, the day on which the trading of the Shares shall resume following such suspension (provided that such date shall be no later than the date being the one month prior to the end of the third anniversary of the initial issue of the Convertible Redeemable Preference Shares) to (b) the earlier of (i) the date of commencement of the voluntary or involuntary winding up of the Company and (ii) the date being the 10 business days before the third anniversary of the date of initial issue of the Convertible Redeemable Preference Shares, subject to the extension of not more than 12 months as the Company and the Convertible Redeemable Preference Shareholder may agree;
“Conversion Price”	HK\$0.40, subject to adjustment in accordance with the provisions of paragraph 5;

“Convertible Redeemable Preference Shareholder”	a holder of Convertible Redeemable Preference Shares;
“Convertible Redeemable Preference Shares”	the convertible redeemable non-voting preference shares of par value of HK\$0.10 each in the capital of the Company to be issued by the Company on these terms;
“Current Market Price”	while the Shares are listed on the Stock Exchange (whether the Shares are suspended or not, means in respect of a Share, as of any date, the average of the closing quotations published in the Stock Exchange’s Daily Quotation Sheet for one Share for the last five dealing days ending on the dealing day (on which the Shares have traded) immediately preceding such date; provided that if, at any time during the said five dealing days, the Shares shall have been quoted cum-dividend or any other right which the Shares to be issued on conversion will not receive the benefit of, the Auditor shall determine what adjustment, if any, is required to be made to the average of the closing quotations and its determination of the Current Market Price shall be final and binding;
“Final Redemption Date”	the third anniversary of the date of the initial issue of the Convertible Redeemable Preference Shares or such other date as the Company and the Convertible Redeemable Preference Shareholder may agree;
“Mandatory Conversion Notice”	notice that the Company wishes to exercise, at the end of the Conversion Period, the right to require the conversion of such Convertible Redeemable Preference Shares in accordance with paragraph 4.1;
“Members”	holders of Shares;
“Preferential Dividend”	has the meaning ascribed to it in paragraph 2.1;
“Record Date”	the date the relevant event occurs or, if the holders of Shares receive entitlements to participate in such event as at an earlier Record Date, such earlier Record Date;
“Redemption Notice”	notice that Convertible Redeemable Preference Shares are to be redeemed;
“Reference Amount”	as of any date, the amount equal to all amounts paid up or credited as paid up on a Convertible Redeemable Preference Share (including any premium paid up or credited as paid up thereon);
“Shares”	ordinary shares of par value of HK\$0.10 each in the capital of the Company; and
“Subsidiary”	a subsidiary (as that term is defined in the Hong Kong Companies Ordinance) of the Company.

2. DIVIDEND

- 2.1 The Convertible Redeemable Preference Shareholders shall be entitled to be paid, out of the profits of the Company available for distribution, a fixed cumulative preferential dividend (the "Preferential Dividend"), in priority to any payment to the holders of any other class of shares, at the rate of 3.5% per annum on the amount paid up or credited as paid up thereon (including any premium paid up or credited as paid up thereon).
- 2.2 The Preferential Dividend shall be payable (subject to paragraph 2.3) in arrears on 30th April and 31st October in each year or, if any such date shall not be a business day, on the first business day immediately following that day. A Convertible Redeemable Preference Shareholder shall not be entitled to any Preferential Dividend for the period from the last Preferential Dividend payment date to the Conversion Date.
- 2.3 Subject to compliance with applicable law, no payment of Preferential Dividends on the Convertible Redeemable Preference Shares shall be required to be made unless at the relevant due date the Company has sufficient distributable reserves to cover the payment of such Preferential Dividends. The Company will take all reasonable actions required or permitted under the relevant laws to permit the payment or accrual of Preferential Dividends on the Convertible Redeemable Preference Shares.

3. CAPITAL

- 3.1 On a liquidation, dissolution, winding up (whether voluntary or involuntary) or return or reduction of capital of the Company (other than by redemption of the Convertible Redeemable Preference Shares), the assets of the Company available for distribution among the Members shall be applied:
- 3.1.1 in priority to any payment to the holders of any other class of shares:
- (A) first in paying to the Convertible Redeemable Preference Shareholders a sum equal to any arrears, deficiency or accrual of the Preferential Dividend thereon calculated down to the date of commencement of the liquidation, dissolution, winding up or return or reduction of capital of the Company, and to be payable irrespective of whether such dividend has been declared or earned or become due for payment or not; and
 - (B) secondly, an amount in repayment of capital equal to the amount paid up or credited as paid up on the Convertible Redeemable Preference Shares (including any premium paid up or credited as paid up thereon); and
- 3.1.2 after the repayment of the nominal amount of any other class of shares, any surplus assets then remaining shall be distributed *pari passu* among the holders of the Convertible Redeemable Preference Shares, any other preference shares issued by the Company and the Shares or a *pro rata* basis as if the Convertible Redeemable Preference Shares and any other preference shares issued by the Company had been converted into Shares in accordance with their terms of issue.

4. CONVERSION

- 4.1 Subject to and upon compliance with the provisions of this paragraph 4, a Convertible Redeemable Preference Shareholder shall have the right, exercisable at any time during the Conversion Period, to convert Convertible Redeemable Preference Shares held by him into fully paid Shares equal to the then effective Reference Amount thereof divided by the Conversion Price in effect at the time of conversion. Subject to the provisions of paragraph 6, to the extent that, at the end of the Conversion Period (prior to the extension thereof), all or part of the Convertible Redeemable Preference Shares have not been redeemed in accordance with paragraph 6.1 or the Company is prevented by law from redeeming all the Convertible Redeemable Preference Shares as contemplated under the provisions of paragraph 6.2, the Company shall have the right, exercisable following the end of the Conversion Period and up to the Final Redemption Date (prior to the extension thereof as agreed), to require the conversion of all such Convertible Redeemable Preference Shares into fully paid Shares equal to the then effective Reference Amount thereof divided by the Conversion Price in effect at the time of conversion. In the event that the Conversion Period is extended, the right of the Company to require the conversion of the Convertible Redeemable Preference Shares as aforementioned shall be deferred and shall be exercisable following the end of the Conversion Period (as extended) up to the Final Redemption Date (as extended).
- 4.2 The right to convert may be exercised in whole or in part (in multiples of not less than 25,000,000 Convertible Redeemable Preference Shares), by a Convertible Redeemable Preference Shareholder delivering the certificate for such shares to the Secretary of the Company with a duly completed Conversion Notice in respect of the whole or any part of his Convertible Redeemable Preference Shares as he may in the Conversion Notice specify, together with such other evidence (if any) as the board of Directors may reasonably require to prove the title of the person exercising such right. A Conversion Notice once delivered cannot be withdrawn unless with the prior written consent of the Company. The Company shall, not later than 10 business days after the date of the Conversion Notice, despatch certificates, free of charge at the risk of the Convertible Redeemable Preference Shareholder, for Shares resulting from conversion and, if appropriate, certificates for any balance of the Convertible Redeemable Preference Shares remaining unconverted. Fractions of Shares arising on conversion will not be allotted and in lieu thereof the Company shall, if permitted by law, pay an amount equal to such amount of the Preference Share as is not converted.
- 4.3 Conversion of the Convertible Redeemable Preference Shares may be effected in such manner as directors of the Company shall from time to time determine (subject to compliance with all relevant laws and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases) and, without prejudice to the generality of the foregoing may be effected by the redemption (whether from profits or from a fresh issue of Shares) at the same time of Convertible Redeemable Preference Shares at par.
- 4.4 The Shares which are issued on conversion shall be credited as fully paid and rank *pari passu* and form one class in all respects with the Shares then in issue.
- 4.5 The Company shall use its best endeavours to ensure that the Listing Committee of Stock Exchange grants permission to deal in, and listing of, all the Shares arising on conversion.
- 4.6 The Company shall ensure that it will have sufficient authorised but unissued Shares for the time being outstanding available to satisfy in full the aforesaid conversion rights.

- 4.7 The right to require the mandatory conversion of the Convertible Redeemable Preference Shares may be exercised by the Company by delivering to the Convertible Redeemable Preference Shareholder(s) a duly completed Mandatory Conversion Notice in respect of such number of Convertible Redeemable Preference Shares and the Mandatory Conversion Notice may be delivered at any time from the next business day immediately following the end of the Conversion Period (or such extended period, as the case may be) up to the Final Redemption Date (or such extended period, where the Conversion Period as extended applies). The Convertible Redeemable Preference Shareholders shall, not later than 7 business days after the date of the Mandatory Conversion Notice deliver the certificates for the relevant Convertible Redeemable Preference Shares to be converted to the Secretary of the Company and the Company shall, not later than 10 business days after the receipt of such certificates, despatch certificates for Shares resulting from conversion.
- 4.8 The Conversion Period may be extended as agreed between the Company and the Convertible Redeemable Preference Shareholder for a period of not more than 12 months.

5. ADJUSTMENTS TO THE CONVERSION PRICE

- 5.1 Upon the happening of any event on which the Conversion Price falls to be adjusted in accordance with this paragraph 5, the Conversion Price shall be adjusted as follows:

Consolidation or Subdivision:

- 5.1.1 If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal value of one Share immediately after such alteration; and

B is the nominal value of one Share immediately before such alteration.

Such adjustment shall become effective from the day following the Record Date of such alteration.

Capitalisation of Profits or Reserves:

- 5.1.2 If and whenever the Company shall issue any Shares credited as fully paid to the Members by way of capitalisation of profits or reserves, other than Shares paid up out of distributable profits or reserves and/or share premium account issued in lieu of the whole or any part of a cash dividend which the Members concerned would or could otherwise have received and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction :

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective from the day following the Record Date of the issue of such Shares.

Capital Distributions:

5.1.3 If and whenever the Company shall pay or make any Capital Distribution to the holders of Shares (except where the Conversion Price falls to be adjusted under subparagraph 5.1.2 above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such Capital Distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Share on the Record Date of such Capital Distribution; and

B is the fair market value on the Record Date of such Capital Distribution, as determined in good faith by the Auditor, acting as an expert, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective from the day following the Record Date of such Capital Distribution.

Rights Issues of Shares/Options or Warrants over Shares:

5.1.4 If and whenever the Company shall issue Shares to all or substantially all Members as a class by way of rights, or shall issue or grant to all or substantially all Members as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 80% of the Current Market Price per Share on the Record Date of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Shares in issue immediately before such issue or grant;

- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective from the day following the Record Date of the issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

Rights Issues of Other Securities/Options or Warrants over Other Securities:

- 5.1.5 If and whenever the Company shall (i) issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Members as a class by way of rights, or (ii) grant to all or substantially all Members as a class any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) by way of rights, or (iii) offer any preferential rights to subscribe for or purchase securities of a Subsidiary granted to all or substantially all holders of Shares upon an initial public offering of the securities of such Subsidiary where the rights of the holders of Shares are exercisable at a subscription or purchase price, as the case may be, which is less than that at which the securities are offered to the public or any other person, then in any such case the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Share on the Record Date of such issue, grant or offer; and
- B is the fair market value on the Record Date of such issue, grant or offer, as determined in good faith by the Auditor, of the portion of the rights attributable to one Share.

Such adjustment shall become effective from the day following the Record Date of the issue of the securities or grant or offer of such rights, options, warrants or preferential rights (as the case may be).

Issues of Shares at less than Current Market Price:

- 5.1.6 If and whenever the Company shall (i) issue (otherwise than as mentioned in paragraph 5.1.4 above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares), or (ii) issue or grant any options, warrants or other rights to subscribe for or purchase Shares; in each case at a price per Share which is less than

80% of the Current Market Price on the Record Date of such issue or grant the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A+B}{C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the total number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the day following the Record Date of the issue of such Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

Issues of Other Securities at less than Current Market Price:

5.1.7 Save in the case of any issue of, or the granting of any option to require the subscription of, the Convertible Redeemable Preference Shares, or an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this paragraph 5.1.7, if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in paragraphs 5.1.4 to 5.1.6 above), or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity shall issue wholly for cash any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share receivable by the Company which is less than 80% of the Current Market Price on the Record Date of the issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such issue (or grant);
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the rights of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the Record Date of the issue or grant of such securities.

Modifications to Rights of Conversion:

5.1.8 If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph 5.1.7 above (other than in accordance with the terms applicable to such securities) so that the consideration per Share is less than 80% of the Current Market Price on the Record Date for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the rights of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price;
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate;

but giving credit in such manner as the Auditor shall, acting as an expert, consider appropriate for any previous adjustment under this sub-paragraph or paragraph (g) above.

Such adjustment shall become effective on the day following the Record Date for such modification of the rights of conversion, exchange or subscription attaching to such securities.

Other Events:

- 5.1.9 If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this paragraph 5.1., the Company shall, at its own expense and acting reasonably, request the Auditor to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (provided that the adjustment would result in a reduction in the Conversion Price) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this paragraph 5.1.9 if the Auditor is so requested to make such a determination, provided that where the circumstances giving rise to any adjustment pursuant to this paragraph 5.1 have already resulted or will result in an adjustment to the Conversion Price or where any other circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this paragraph 5.1 as may be advised by the Auditors to be in their opinion appropriate.
- 5.2 For the purpose of any calculation of the consideration receivable pursuant to subparagraphs 5.1.6 to 5.1.8, the following provisions shall apply:
- 5.2.1 the aggregate consideration receivable for Shares issued for cash shall be the amount of such cash provided that in no case shall any deduction be made for any commission or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith; and
- 5.2.2 the aggregate consideration receivable for the Shares to be issued upon the conversion or exchange of any securities shall be deemed to be the aggregate consideration received or receivable by the Company for any such securities; and
- 5.2.3 the aggregate consideration receivable for the Shares to be issued upon the exercise of rights of subscription attached to any securities shall be deemed to be that part (which may be the whole) of the aggregate consideration received or receivable by the Company for such securities which is attributed by the Company to such rights of subscription or, if no part of such consideration is so attributed or a Convertible Redeemable Preference Shareholder so requires by notice in writing to the Company, the fair market value of such rights of subscription as at the Record Date for the terms of issue of such securities (as determined in good faith by the Auditor, plus in the case of each of 5.2.2. and 5.2.3. above, the additional minimum consideration (if any) to be received by the Company upon the conversion or exchange of such securities, or upon the exercise of such rights of subscription attached thereto (the consideration in all such cases to be determined subject to the proviso in paragraph 5.2.1.); and
- 5.2.4 the consideration per Share receivable by the Company upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities shall be the aggregate consideration referred to in 5.2.2. or 5.2.3 above (as the case may be) converted into Hong Kong dollars if such

consideration is expressed in a currency other than Hong Kong dollars at such rate of exchange as may be determined in good faith by the Auditor to be the spot rate prevailing at the close of business on the date of announcement of the terms of issue of such securities, divided by the number of Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate.

- 5.3 Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of the Company the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by the Auditor to be in their opinion appropriate in order to give such intended result.
- 5.4 No adjustment will be made to the Conversion Price:
- 5.4.1 when Shares or other securities (including rights or options) are issued, offered or granted pursuant to and in accordance with the terms of any Share scheme for employees of the Company or any of its Subsidiaries;
- 5.4.2 in respect of an issue by the Company of Shares or an issue by the Company or any of its Subsidiaries of securities convertible into or rights to acquire Shares in consideration in whole or in part for the acquisition of any other securities, assets or business;
- 5.4.3 if the Company makes an issue of Shares pursuant to a scrip dividend scheme where an amount of not less than the nominal amount of the Shares so issued is capitalised and the Current Market Price per Share is not more than 110% of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash;
- 5.4.4 if it would result in an increase in the Conversion Price (other than by reason of a consolidation of Shares); or
- 5.4.5 in respect of in any issue of, or the granting of any option to require the subscription of, the Convertible Redeemable Preference Shares.
- 5.5 If any doubt shall arise as to the appropriate adjustment to the Conversion Price, a certificate of the Auditor shall be conclusive and binding on all concerned save in the case of manifest or proven error.
- 5.6 On any adjustment, the resultant Conversion Price, if not an integral multiple of 1 Hong Kong cent, shall be rounded up or down to the nearest Hong Kong cent. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustments shall be given to the Convertible Redeemable Preference Shareholders as soon as practicable after the determination thereof.
- 5.7 If the Conversion Price is to be reduced so that, on conversion, Shares would fall to be issued at a discount to their par value, the Conversion Price shall be reduced to the par value, provided that if the par value is subsequently reduced, the Conversion Price shall be adjusted accordingly.

5.8 Whenever the Conversion Price is adjusted, the Company shall give notice to the Convertible Redeemable Preference Shareholders that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as any Convertible Redeemable Preference Share remains outstanding make available for inspection at its registered office in Hong Kong a signed copy of the certificate of the Auditor (if applicable) and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof.

6. REDEMPTION

- 6.1 Subject to compliance with any legislation applicable to the Company, the Company shall have the right, exercisable following the end of the Conversion Period (prior to the extension thereof) and up to the Final Redemption Date (prior to the extension thereof), to redeem all or part of the Convertible Redeemable Preference Share(s) at the Reference Amount. In the event that the Conversion Period is extended, the right of the Company to redeem the Convertible Redeemable Preference Shares as aforementioned shall be deferred and shall be exercisable following the end of the Conversion Period (as extended) up to the Final Redemption Date (as extended). The right to redeem all or part of the Convertible Redeemable Preference Shares may be exercised by the Company by delivering to the Convertible Redeemable Preference Shareholder(s) a duly completed Redemption Notice in respect of such number of Convertible Redeemable Preference Shares to be redeemed and such Redemption Notice may be delivered at any time from the next business day immediately following the end of the Conversion Period (or such extended period as the case may be) up to the Final Redemption Date (or such extended period, where the Conversion Period as extended applies). Payment of the relevant redemption amount will be made to the Convertible Redeemable Preference Shareholder's nominated bank account or delivered to the Convertible Redeemable Preference Shareholder at an address in Hong Kong within 24 hours of the Final Redemption Date or the next business day if the Final Redemption Date falls on a day other than a business day. If any certificates so delivered to the Company shall include any Convertible Redeemable Preference Shares not redeemed on the occasion for which it is so delivered, the Company shall at the holders' risk issue, without charge, a balance certificate for such Convertible Redeemable Preference Shares. Subject to paragraph 6.2, and for the avoidance of doubt, the Company shall have the right, exercisable following the end of the Conversion Period (or such extended period as the case may be) and up to the Final Redemption Date (or such extended period, where the Conversion Period as extended applies), to require the conversion of all or part of the Convertible Redeemable Preference Share(s) into fully paid Shares in accordance with the provisions of paragraph 4.
- 6.2 In the event that the Company is prevented by law from redeeming all the Convertible Redeemable Preference Shares it shall redeem such as it is able to redeem on a pro-rata basis between holders, and in respect of the balance, the cumulative dividend payable thereafter shall be 3.5% per annum payable semi-annually and calculated on the aggregate of the Reference Amount thereof. The Company shall from time to time thereafter redeem, as soon as it is able so to do, such number of Convertible Redeemable Preference Shares as it is permitted by law to redeem, at a price equal to the Reference Amount calculated to the Final Redemption Date.

- 6.3 If any Convertible Redeemable Preference Shareholder whose shares are liable to be redeemed under this paragraph 6 shall fail or refuse to deliver up the certificate for his shares, the Company may retain the redemption monies until delivery up of the certificate or of any indemnity in respect thereof satisfactory to the Company and shall within seven days thereafter pay (by cheque despatched at the holder's risk) the redemption monies to the relevant Convertible Redeemable Preference Shareholder. No Convertible Redeemable Preference Shareholder shall have any claim against the Company for interest on any redemption monies so retained.
- 6.4 In the event that the Company and the Convertible Redeemable Preference Shareholder agree to extend the Conversion Period in accordance with paragraph 4.8, the Company and the Convertible Redeemable Preference Shareholder shall agree and confirm a later date as the Final Redemption Date and the period of such extension shall be an equivalent period of time as that by which the Conversion Period is extended by in accordance with paragraph 4.8 as agreed between the parties.

7. NON-VOTING AND NON TRANSFERABLE

- 7.1 The Convertible Redeemable Preference Shareholders shall be entitled to receive notices of general meetings and to attend but not vote at such meetings.
- 7.2 The Convertible Redeemable Preference Shares shall not be transferable.

8. GENERAL

- 8.1 Unless and until all outstanding Preferential Dividends have been paid, the Company shall not pay any dividend or distribute any profits or reserve any amount in the Company's funds for the purpose of making such payment or distribution, or redeem or purchase the shares of any other class of the Company's share capital.
- 8.2 Any Convertible Redeemable Preference Shares redeemed shall be treated as cancelled on redemption and the amount of the Company's issued share capital shall, accordingly, be diminished by the nominal amount of those shares. The preference share capital existing as a consequence of such redemption of any of the Convertible Redeemable Preference Shares shall pursuant to the authority hereby given and subject to all applicable laws be converted, subdivided and/or consolidated into shares of any other class of share capital into which the authorised share capital of the Company is or may at that time be divided of a like nominal amount (or as nearly as may be) as the shares of such class then in issue or into unclassified shares of the same nominal amount as the Convertible Redeemable Preference Shares, as the Directors may determine.
- 8.3 The Company shall send to the Convertible Redeemable Preference Shareholders a copy of every document sent by the Company to the holders of Shares at the time the same is sent to the holders of the Shares.
- 8.4 Save as referred to in these terms, the Convertible Redeemable Preference Shares shall not confer on the holder thereof any pre-emptive subscription rights in relation to issues of further shares or other securities in the capital of the Company.
- 8.5 The Company shall not in any way modify or amend these terms without the prior written approval of the holders of the outstanding Convertible Redeemable Preference Shares.
- 8.6 The provisions contained in the constitutional documents of the Company relating to the serving of notices or other documents by or on shareholders shall apply equally to the serving of notices or other documents by or on the Convertible Redeemable Preference Shareholders.

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 the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' interests and short positions in the securities of the Company and its associated corporations

- (i) 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 or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (1) 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 they were taken or deemed to have under such provisions of the SFO); or (2) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Listing Rules, were as follows:

Name of Director	Nature of Interest	Total number of shares	Percentage of issued share capital
Dr. Sze Kwan	Interest of a controlled corporation	126,700,000*	36.20%

* *These shares are held through Otto Link Technology Limited, which is beneficially owned as to 80% by Dr. Sze and 20% by Mr. Siek Fui, both are executive directors of the Company.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

- (ii) As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 30 June 2006 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

- (iii) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

(B) Notifiable Interests and Short Positions of Substantial Shareholders of the Company and other persons' interest in the Shares of the Group

Save as disclosed below, so far as was known to the Directors, there was no other person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, 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 any options in respect of such capital:

- (i) *Interest in the Shares and the underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.*

Name	Capacity and nature of interest	Number of Ordinary Shares	Number of underlying shares	Percentage of issued Ordinary Shares
Otto Link Technology Limited	Beneficial owner	126,700,000		36.20%
Mr. Chak Joaquim Emilio Kin Man	Registered shareholder and Beneficial owner	96,824,000		27.66%
Weina (Note 1 & 2)	Beneficial owner		460,000,000	131.43%
Weina Group Limited ("Weina Group") (Note 3)	Interest of a controlled corporation		460,000,000	131.43%
Mr. Tsim Wing Kong (Note 3)	Interest of a controlled corporation		460,000,000	131.43%

Note 1: The Company has entered into the Subscription and Option Agreement on 26 May 2006 with Weina and through such agreement, Weina is interested in 350,000,000 Convertible Redeemable Preference Shares and has the right to convert the aforesaid Shares into 350,000,000 Ordinary Shares (based on the Initial Conversion Price).

Note 2: The Company has entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (being a nominee of Weina Holdings Limited) is interested in 110,000,000 Preference A Shares and has the right to convert the aforesaid Shares into 110,000,000 Ordinary Shares (based on its initial conversion price).

Note 3: Weina Group owns entire issued capital of Weina and is therefore deemed to have interest in the shares and underlying shares of the Company in which Weina is interested in. Mr. Tsim is deemed to be interested in the shares and underlying shares of the Company by virtue of his controlling interest in Weina Group.

(ii) Interest in the Shares of other members of the Group

Name of non wholly-owned subsidiaries of the Company	Name of Shareholder	Number of Shares	Approximate percentage of the relevant issued share capital
Uni-business Limited	Mr. Zhang Xu	300	25%

3. COMPETING INTEREST

As at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to complete with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. MATERIAL ADVERSE CHANGE

Saved as disclosed herein, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2006, being the date to which the latest published audited financial statements of the Group were made up.

6. PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

Pursuant to Article 66 of the Company's Articles of Association, a resolution put to the general meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or is duly demanded by:

- (i) the chairman of the meeting; or
- (ii) 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
- (iii) any member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (iv) any 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 equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

- (v) 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 (5%) or more of the total voting rights at such meeting.

A poll may be so demanded before or on the declaration of the result of the show of hands.

7. GENERAL

- (i) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is at Suite 1304, 13/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (iii) The branch share registrar of the Company in Hong Kong is Union Registrars Limited, whose office is at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (iv) The qualified accountant of the Company is Ms. Fung Yin Wan. Ms. Fung is the Financial Controller of the Group. She has more than ten years of experience in the fields of auditing, accounting, finance and taxation. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. She is also an associate member of the Institute of Company Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (v) The company secretary of the Company is Ms. Cheung Hiu Lan. She is an associate member of The Hong Kong Institute of Chartered Secretaries.

8. LANGUAGE

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. EXPERT AND CONSENT

- (i) The following are the qualifications of the expert which has given its opinion or advice contained in this circular:

Name	Qualifications
VXLFS	VXL Financial Services Limited, a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction

- (ii) VXLFS does not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (iii) VXLFS has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and references to its name in the form and context in which they are included.
- (iv) VXLFS does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired of by or leased to any member of the Group since 30 June 2006, the date to which the latest published audited financial statements of the Company were made up.
- (v) The letter given by VXLFS set out in the section headed “Letter from VXLFS” is given as of the date of this circular for incorporation herein.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal businesses hours at the principal place of business of the Company in Hong Kong at Suite 1304, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 28 May 2007 and at the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from VXLFS dated 11 May, 2007, the text of which is set out in the section headed “Letter from VXLFS” of this circular;
- (c) the written consent from VXLFS referred to in paragraph 9 in this Appendix;
- (d) the annual reports of the Company for the two financial years ended 30 June, 2005 and 30 June, 2006 respectively and the interim report of the Company for the six months ended 31 December 2006;
- (e) the Subscription and Option Agreement; and
- (f) the Announcement and the June Circular.



THE QUAYPOINT CORPORATION LIMITED

紀 翰 集 團 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “Meeting”) of The Quaypoint Corporation Limited (the “Company”) will be held at Central Plaza Executive Club, P Floor, Central Plaza, 18 Harbour Road, Hong Kong on Friday, 8 June, 2007 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

1. To consider and, if thought fit, pass with or without modifications, the following resolution as an Ordinary Resolution:

“**THAT** the exercise of the Option (granted to the Company under the Subscription and Option Agreement dated 26 May 2006) and the transactions contemplated in connection with or arising from the exercise of the Option (including but not limited to the allotment and issue of 100,000,000 Convertible Redeemable Preference Shares) (each such term having the meanings as defined in the shareholders’ circular of the Company dated 11 May 2007) be and are hereby approved and **THAT** the directors of the Company be and are hereby authorized to do, approve and transact all such acts and things as they may in their discretion consider necessary, or desirable in connection therewith.”

SPECIAL RESOLUTION

2. To consider and, if thought fit, pass with or without modifications, the following resolution as a Special Resolution:

“**THAT** the Articles of Association of the Company be amended as follows:

- (a) by replacing the existing Article 155. (1) with the following:

“155. (1) The Company shall at each annual general meeting appoint one or more firms of auditors to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Directors, but if an appointment is not made, the Auditor in office shall continue in office until a successor is appointed. A Director, officer or employee of the Company or any of its subsidiaries or a partner, officer or employees of any such Director, officer or employee shall not be appointed Auditor of the Company.”

* for identification purposes only

NOTICE OF EGM

(b) by replacing the existing Article 158 with the following :

“158. If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors may fill any casual vacancy in the office of Auditor, but while any such vacancy continues the surviving or continuing Auditor may act.””

By order of the Board
The Quaypoint Corporation Limited
CHEUNG Hiu Lan
Secretary

Hong Kong, 11 May 2007

Notes:

1. As at the date of this notice, the Board of Directors of the Company comprises three Executive Directors, namely Dr. SZE Kwan, Mr. SIEK Fui and Ms. CHAN Siu Chu, Debby, one Non-executive Director, namely, Mr. Gerard MCMAHON and three Independent Non-executive Directors, namely Mr. LAU Sai Chung, Mr. NG Kwok Chu, Winfield and Mr. POON Lai Yin, Michael.
2. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed.
3. Where there are joint registered holders of any share, anyone 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 is present at the Meeting personally or by proxy, then one of the said persons so present whose name stands first on the register of members in respect of such share shall also be entitled to vote in respect thereof.
4. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with the principal place of business of the Company in Hong Kong at Suite 1304, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.