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

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

**If you have sold or transferred** all your shares in Topsearch International (Holdings) Limited Holdings Limited (“the Company”), you should at once hand this circular to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Topsearch International (Holdings) Limited Holdings Limited.

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**TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED**

**至卓國際（控股）有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2323)**

**DISCLOSEABLE TRANSACTION RELATING TO  
ACQUISITION OF LAND**

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## DEFINITIONS

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

|                    |  |
|--------------------|--|
| “associate”        | has the meaning ascribed to it under the Listing Rules   |
| “Announcement”     | an announcement of the Company dated 27 August 2007 in relation to the Land Acquisition Agreement  |
| “Board”            | the board of Directors   |
| “Company”          | Topsearch International (Holdings) Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange  |
| “connected person” | has the meaning ascribed to it under the Listing Rules   |
| “Consideration”    | RMB71 million, being the consideration of Land B   |
| “Directors”        | the directors of the Company   |
| “General Mandate”  | the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 8 June 2007, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting |
| “Group”            | the Company and its subsidiaries   |
| “Hong Kong”        | the Hong Kong Special Administrative Region of the PRC   |
| “HK\$”             | Hong Kong dollar, the lawful currency of Hong Kong   |
| “Kingboard”        | Kingboard Chemical Holdings Limited, a Company incorporated in Cayman Islands with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange  |

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## DEFINITIONS

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|                              |  |
|------------------------------|--|
| “Land Acquisition Agreement” | the agreement dated 23 August 2007 entered into between the Company and Majestic Wealth in relation to the purchase of Land B as more particularly set out under the section headed “THE LAND ACQUISITION AGREEMENT DATED 23 AUGUST 2007” of this circular |
| “Land A”                     | a piece of industrial land located in phase II of Tongliao Economic Development Zone, Inner Mongolia, the PRC with a site area of approximately 230,667 square metres  |
| “Land B”                     | two parcels of contiguous vacate industrial land located in phase II of Tongliao Economic Development Zone, Inner Mongolia, the PRC with a site area of approximately 279,333.78 square metres   |
| “Land Consideration Shares”  | 93,400,000 new Shares at par value of HK\$0.1 per Share to be issued by the Company to Majestic Wealth as part payment of the consideration for the acquisition of Land B  |
| “Last Trading Day”           | 23 August 2007, being the last trading date of the Shares prior to the release of the announcement in relation to these transactions dated 27 August 2007  |
| “Latest Practicable Date”    | 12 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular  |
| “Listing Rules”              | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Majestic Wealth”            | Majestic Wealth Limited, a company incorporated in Samoa and a third party independent of the Company and connected persons of the Company   |
| “PRC”                        | the People’s Republic of China, which, for the purposes of this circular does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan   |
| “RMB”                        | Renminbi, the lawful currency of the PRC   |

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## DEFINITIONS

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|                  |   |
|------------------|---|
| “Share(s)”       | ordinary share(s) of HK\$0.1 each in the capital of the Company   |
| “Shareholder(s)” | holder(s) of Share(s)   |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited   |
| “Sure-Get”       | Sure-Get Securities Limited, a company incorporated in the British Virgin Islands and a third party independent of the Company and connected persons of the Company |
| “USD”            | U.S. dollar(s), the lawful currency of the United States of America   |

*Unless otherwise specified in this circular, amounts denominated in RMB and USD have been converted, for the purpose of illustration only, into HK\$ as follows:*

*RMB 1 = HK\$1.028*

*USD 1 = HK\$7.7712*

*No representation is made that any amount in HK\$ could have been or could be converted at the above rate or at any other rates or at all.*

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## LETTER FROM THE BOARD

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### TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED

至卓國際（控股）有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2323)**

*Executive Directors:*

Mr. Cheok Ho Fung

Mr. Ting Sui Ping

Mr. Liu Wai On

Mr. Tong Nelson Chi Wing

Mr. Kwok Chi Kwong, Danny

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Non-executive Directors:*

Mr. Tang Yok Lam, Andy

Mr. Ng. Kwok Ying, Alvin

Mr. Mok Cham Hung, Chadwick

*Principal place of business*

*in Hong Kong:*

3406, China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

*Independent non-executive Directors:*

Mr. Leung Shu Kin, Alfred

Mr. Wong Wing Kee

Mr. Ng Kee Sin

Mr. Xiang Dong

12 September 2007

*To the Shareholders,*

### DISCLOSEABLE TRANSACTION RELATING TO ACQUISITION OF LAND

#### INTRODUCTION

On 27 August 2007, the Board announces that after trading hours on 23 August 2007, the Company entered into the Land Acquisition Agreement with Majestic Wealth, pursuant to which the Company has conditionally agreed to acquire from Majestic Wealth the Land B for a consideration of RMB71 million. The Company will finance RMB52,696,498 (equivalent to HK\$54,172,000) of the Consideration by issuing the Land Consideration Shares with the outstanding balance of RMB18,303,502 (equivalent to HK\$18,816,000) to be settled on or before 31 December 2008.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The purpose of this circular is to give you further information on, among other things, the Land Acquisition Agreement.

### **THE LAND ACQUISITION AGREEMENT DATED 23 AUGUST 2007**

#### **Parties**

The Company and Majestic Wealth. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Majestic Wealth and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

#### **Asset to be acquired**

Land B, two parcels of contiguous vacate industrial land located in phase II of Tongliao Economic Development Zone, Inner Mongolia, the PRC with a site area of approximately 279,333.78 square metres.

#### **Consideration**

The Consideration of RMB71 million was determined after arm's length negotiation between the parties based on normal commercial terms with reference to the valuation of Land B as at 31 July 2007 performed by DTZ Debenham Tie Leung Limited ("DTZ"), an independent valuer. In valuing Land B, DTZ have valued it by direct comparison approach by making reference to comparable sales evidence as available in the relevant market. The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable so far as the Company and the Shareholders are concerned.

RMB52,696,498 (equivalent to HK\$54,172,000) of the Consideration will be payable by the Company by issuing 93,400,000 new Shares at HK\$0.58 per Share, representing 10.89% of the existing issue capital and 9.82% of issue capital as enlarged by the issue of Land Consideration Shares. The nominal value of the Land Consideration Shares is HK\$9,340,000. The outstanding balance of RMB18,303,502 (equivalent to HK\$18,816,000) will be settled by internal resources or equity issues on or before 31 December 2008. Further announcement will be made by the Company in this regard in accordance with the Listing Rules, if required. The Company will not proceed with any equity issues that would result in a change of control of the Company as defined in the Hong Kong Codes on Takeovers and Mergers for the purpose of financing the outstanding balance. The issue price for the Land Consideration Shares has been determined by the parties with reference to approximately 17.1% discount to

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## LETTER FROM THE BOARD

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the 5-day average trading price of the Shares prior to the date of the Land Acquisition Agreement after taking into account of the requirements under the Rule 13.36(5) of the Listing Rules, and represents:

- a discount of approximately 14.70% to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 14.70% to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a discount of approximately 15.94% to the average closing price of HK\$0.69 per Share for the five consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 22.66% to the average closing price of HK\$0.75 per Share for the ten consecutive trading days up to and including the Last Trading Date; and
- a discount of approximately 55.03% over the audited consolidated net asset value per Share as at 31 December 2006 of approximately HK\$1.29.

The Land Consideration Shares will be issued within three days upon satisfaction of all condition precedent to the Land Acquisition Agreement. There is no restriction on the subsequent sale of the Land Consideration Shares.

There was no transaction between the Group and Majestic Wealth that was completed within a 12 month period from the date of the Land Acquisition Agreement that would require aggregation under Rule 14.22 of the Listing Rules.

### **Condition precedent**

Completion of the Land Acquisition Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Land Consideration Shares on or before 31 December 2007, or such other date as the parties to the Land Acquisition Agreement may agree.

### **Reasons for the entering into the Land Acquisition Agreement**

The Group is principally engaged in the manufacture and sale of a broad range of printed circuit boards. Taking into account the substantial increase in production and labour costs in the Guangdong area of the PRC in recent years, the Directors consider it is beneficial for the Group to shift part of its production to Tongliao Economic Development Zone, Inner Mongolia, the PRC, which has a lower cost base. It is expected that the Tongliao manufacturing plant located on Land A will commence operation in the fourth quarter of 2007. The Directors consider that it is beneficially to the Group to acquire Land B, which is adjacent to Land A, for future expansion of the Group.



## LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the terms of the Land Acquisition Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned and the Land Acquisition Agreement are beneficial to and is in the interest of the Company and the Shareholders as a whole.

### Information of Majestic Wealth

Majestic Wealth is a company incorporated in Samoa and is an investment company which invests in various projects in the PRC including, but not limited to, natural resources, energy, securities and manufacturing. To the best knowledge and belief of the Directors having made all reasonable enquiry, the Directors confirm that Majestic Wealth and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

### SHAREHOLDING STRUCTURE

Reference is made to the Announcement. Besides the Land Consideration Shares, the Company will issue 49,000,000 Shares for the repayment of part of the Loan (as defined in the Announcement).

The shareholding structure of the Company upon completion of the Land Acquisition Agreement and the issuance of Loan Consideration Shares (as defined in the Announcement) is as follows:

| Shareholders  | As at the Latest Practicable Date |                | Upon the issuance of the Land Consideration Shares |                | Upon the issuance of the Land Consideration Shares and the Loan Consideration Shares |                |
|---|-----------------------------------|----------------|--|----------------|--|----------------|
|   | No. of Shares held                | %              | No. of Shares held                                 | %              | No. of Shares held   | %              |
| Mr. Peter Cheok, Chairman and chief executive officer of the Company and Inni International Inc. (note) | 510,250,000                       | 59.50%         | 510,250,000  | 53.65%         | 510,250,000  | 51.03%         |
| Kingboard Investments Limited   | 208,538,000                       | 24.32%         | 208,538,000  | 21.93%         | 208,538,000  | 20.85%         |
| Kingboard Laminates Limited   | 202,000                           | 0.02%          | 202,000  | 0.02%          | 202,000  | 0.02%          |
| Kingboard   | 2,766,000                         | 0.32%          | 2,766,000  | 0.29%          | 2,766,000  | 0.28%          |
| <b>Sub-total</b>  | <b>211,506,000</b>                | <b>24.66%</b>  | <b>211,506,000</b>                                 | <b>22.24%</b>  | <b>211,506,000</b>   | <b>21.15%</b>  |
| <b>Public:</b>  |                                   |                |  |                |  |                |
| Majestic Wealth   | 0                                 | 0.00%          | 93,400,000   | 9.82%          | 93,400,000   | 9.34%          |
| Sure-Get  | 0                                 | 0.00%          | 0  | 0.00%          | 49,000,000   | 4.90%          |
| Other public Shareholders   | 135,844,000                       | 15.84%         | 135,844,000  | 14.29%         | 135,844,000  | 13.58%         |
| <b>Sub-total</b>  | <b>135,844,000</b>                | <b>15.84%</b>  | <b>229,244,000</b>                                 | <b>24.11%</b>  | <b>278,244,000</b>   | <b>27.82%</b>  |
| <b>Total</b>  | <b>857,600,000</b>                | <b>100.00%</b> | <b>951,000,000</b>                                 | <b>100.00%</b> | <b>1,000,000,000</b>   | <b>100.00%</b> |

note: The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min.

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## LETTER FROM THE BOARD

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Application has been made to the Stock Exchange for the listing of and permission to deal in the Land Consideration Shares and the Loan Consideration Shares (as defined in the Announcement).

### **FINANCIAL EFFECT OF THE ACQUISITION**

#### **Total assets, total liabilities and earnings**

Immediately upon completion of the Land Acquisition Agreement, the total assets of the Group will be enhanced by approximately RMB71 million (equivalent to HK\$72.99 million) and the total liabilities of the Group will be increased by approximately RMB 18.3 million (equivalent to HK\$18.8 million). The Company considers that there will not be any material effect on the earnings of the Group immediately upon completion of the Land Acquisition Agreement.

The outstanding balance of the Consideration of RMB 18.3 million will be settled by internal resources or equity issues on or before 31 December 2008. In the event that the outstanding balance is settled by internal resources, the total assets of the Group will decrease by approximately RMB18.3 million (equivalent to HK\$18.8 million) and the total liabilities will decrease by approximately RMB18.3 million (equivalent to HK\$18.8 million). Therefore, there will be an overall increase in total assets of the Group by RMB52.7 million (equivalent to HK\$54.2 million) and there will not be any impact to the overall total liabilities of the Group.

In the event that the outstanding balance is settled by equity issues, the total assets of the Group will remain unchanged and the total liabilities will decrease by approximately RMB18.3million (equivalent to HK\$18.8 million). Therefore, there will be an overall increase in total assets of the Group by RMB71 million (equivalent to HK\$72.99 million) and there will not be any impact to the overall total liabilities of the Group.

### **FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE (LATEST PRACTICABLE DATE)**

The Company has not conducted any equity fund raising exercise in the past 12 months preceding the Latest Practicable Date.

### **GENERAL**

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

The Land Consideration Shares will be issued under the General Mandate granted to the Company at the annual general meeting of the Company dated 8 June 2007. Under the General Mandate, the Directors are allowed to allot and issue up to 171,520,000 Shares. As at the Latest Practicable Date, no part of the General Mandate has been utilized.

Your attention is drawn to the general information contained in the appendix to this circular.

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

|                                  |                                  | <i>HK\$</i>        |
|----------------------------------|----------------------------------|--------------------|
| <i>Authorised share capital:</i> |                                  |                    |
| <u>2,000,000,000</u>             | ordinary Shares of HK\$0.10 each | <u>200,000,000</u> |
| <i>Issued and fully paid:</i>    |                                  |                    |
| <u>857,600,000</u>               | ordinary Shares of HK\$0.10 each | <u>85,760,000</u>  |
| <i>Land Consideration Shares</i> |                                  |                    |
| <i>to be issued:</i>             |                                  |                    |
| <u>93,400,000</u>                | ordinary Shares of HK\$0.10 each | <u>9,340,000</u>   |

All the issued Shares rank pari passu with each other in all respects. The Land Consideration Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares in issue.

## 3. DISCLOSURE OF INTERESTS

### **Interests and short positions of the Directors in shares and underlying shares of the Company and its associated corporations**

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 or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO);

or (b) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) *Long positions in the Shares:*

(i) *The Company*

| Name of director  | Nature of interest |               | Number of ordinary shares held | Approximate percentage of issued capital |
|-------------------|--------------------|---------------|--------------------------------|--|
| Mr. Cheok Ho Fung | Direct             | Long position | 78,250,000                     | 9.1%                                     |
|                   | <i>Note</i>        | Deemed        | 432,000,000                    | 50.4%                                    |
| <b>Total</b>      |                    |               | <b>510,250,000</b>             | <b>59.5%</b>                             |

*Note:* These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife.

(ii) *Associated Corporation — Inni International Inc.*

| Name of director  | Nature of interest |        | Number of ordinary shares held | Approximate percentage of issued capital |
|-------------------|--------------------|--------|--------------------------------|--|
| Mr. Cheok Ho Fung | Direct             |        | 12,250                         | 49.0%                                    |
|                   | <i>Note</i>        | Deemed | 12,750                         | 51.0%                                    |
| <b>Total</b>      |                    |        | <b>25,000</b>                  | <b>100.0%</b>                            |

*Note:* These shares are jointly owned by Cheok Ho Fung and his wife.

(iii) *Subsidiary — Topsearch Industries (Holdings) Limited*

| Name of director  | Nature of interest | Number of non-voting deferred shares held | Approximate percentage of issued capital |
|-------------------|--------------------|---|--|
| Mr. Cheok Ho Fung | Direct             | 2,000,100                                 | 10.0%                                    |
|                   | <i>Note</i> Deemed | 17,999,900                                | 90.0%                                    |
| <b>Total</b>      |                    | <b>20,000,000</b>                         | <b>100.0%</b>                            |

*Note:* These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife.

(b) **Long Position in underlying shares of equity derivatives of the Company — bonus issue of warrants on the basis of one warrant for every ten existing Shares held by the Shareholders on 5 June 2006:**

| Name of Directors      | Date of grant of share warrants | Exercise period of share warrants | Subscription price of share warrants | Number of share warrants outstanding | Number of total underlying shares | Approximate percentage of total shareholdings |
|------------------------|---------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|---|
| Mr. Cheok Ho Fung      | 5 June 2006                     | 26 June 2006 to 31 October 2008   | 1.200                                | 4,800,000                            | 4,800,000                         | 0.56%   |
| Inni International Inc | 5 June 2006                     | 26 June 2006 to 31 October 2008   | 1.200                                | 43,200,000                           | 43,200,000                        | 5.04%   |
| Total                  |                                 |                                   |                                      | <b>48,000,000</b>                    | <b>48,000,000</b>                 | <b>5.60%</b>                                  |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register of the

Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Service contracts**

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

**4. SUBSTANTIAL SHAREHOLDERS**

- (a) As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of SFO, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO:

***Long position in the shares:***

| Name of shareholders          | Notes |        |               | Number of ordinary shares held | Approximate percentage of issued capital |
|-------------------------------|-------|--------|---------------|--------------------------------|--|
| Inni International Inc.       |       | Direct | Long Position | <u>432,000,000</u>             | <u>50.4%</u>                             |
| Mrs. Cheok Chu Wai Min        | (i)   | Deemed | Long Position | <u>510,250,000</u>             | <u>59.5%</u>                             |
| Hallgain Management Limited   | (ii)  | Deemed | Long Position | <u>211,506,000</u>             | <u>24.7%</u>                             |
| Kingboard                     | (ii)  | Direct | Long Position | 2,766,000                      | 0.3%                                     |
|                               |       | Deemed | Long Position | <u>208,740,000</u>             | <u>24.3%</u>                             |
| Total                         |       |        |               | <u>211,506,000</u>             | <u>24.6%</u>                             |
| Jamplan (BVI) Limited         | (ii)  | Deemed | Long Position | <u>208,740,000</u>             | <u>24.3%</u>                             |
| Kingboard Investments Limited |       | Direct | Long Position | <u>208,538,000</u>             | <u>24.3%</u>                             |
| Mr. Cheah Cheng Hye           | (iii) | Deemed | Long Position | <u>44,438,600</u>              | <u>5.2%</u>                              |
| Value Partners Limited        | (iii) | Deemed | Long Position | <u>44,438,600</u>              | <u>5.2%</u>                              |

*Notes:*

- (i) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed “Interests and short positions of the Directors in the Company and its associated corporations”.
- (ii) Kingboard Investment Limited and Kingboard Laminates Limited, holders of 208,538,000 and 202,000 shares in the Company respectively, are wholly-owned subsidiaries of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard. Hallgain Management Limited owns 30.63% equity shares in Kingboard Chemical Holdings Limited.
- (iii) Value Partners Limited is an investment manager and is held as to 32.77% by Mr. Cheah Cheng Hye.

**Long Position in underlying shares of equity derivatives of the Company — bonus issue of warrants on the basis of one warrant for every ten existing Shares held by the Shareholders on 5 June 2006:**

| Name of shareholders        | Notes | Nature of interest | Date of grant of share warrants | Exercise period of warrants     | Subscription price of warrants | Number of warrants outstanding | Number of total underlying shares | Approximate percentage of total shareholding |
|-----------------------------|-------|--------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|-----------------------------------|--|
| Inni International Inc.     |       | Direct             | 5 June 2006                     | 26 June 2006 to 31 October 2008 | 1.20                           | 43,200,000                     | 43,200,000                        | 5.04%  |
| Mr. Cheok Ho Fung           |       | Direct             | 5 June 2006                     | 26 June 2006 to 31 October 2008 | 1.20                           | 4,800,000                      | 4,800,000                         | 0.56%  |
|                             | (i)   | Deemed             | 5 June 2006                     | 26 June 2006 to 31 October 2008 | 1.20                           | 43,200,000                     | 43,200,000                        | 5.04%  |
|                             |       |                    |                                 |                                 | Total                          | 48,000,000                     | 48,000,000                        | 5.60%  |
| Mrs. Cheok Chu Wai Min      | (ii)  | Deemed             | 5 June 2006                     | 26 June 2006 to 31 October 2008 | 1.20                           | 48,000,000                     | 48,000,000                        | 5.60%  |
| Hallgain Management Limited | (iii) | Deemed             | 5 June 2006                     | 26 June 2006 to 31 October 2008 | 1.20                           | 12,746,000                     | 12,746,000                        | 1.49%  |

| Name of shareholders                | Notes | Nature of interest | Date of grant of share warrants | Exercise period of warrants     | Subscription price of warrants | Number of warrants outstanding | Number of total underlying shares | Approximate percentage of total shareholding |
|-------------------------------------|-------|--------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|-----------------------------------|--|
| Kingboard Chemical Holdings Limited |       | Direct             | 5 June 2006                     | 26 June 2006 to 31 October 2008 | 1.20                           | 250,000                        | 250,000                           | 0.03%  |
|                                     | (iii) | Deemed             | 5 June 2006                     | 26 June 2006 to 31 October 2008 | 1.20                           | 12,496,000                     | 12,496,000                        | 1.46%  |
|                                     |       |                    |                                 |                                 | Total                          | 12,746,000                     | 12,746,000                        | 1.49%  |
| Jamplan (BVI) Limited               | (iii) | Deemed             | 5 June 2006                     | 26 June 2006 to 31 October 2008 | 1.20                           | 12,496,000                     | 12,496,000                        | 1.46%  |
| Kingboard Investments Limited       |       | Direct             | 5 June 2006                     | 26 June 2006 to 31 October 2008 | 1.20                           | 12,475,800                     | 12,475,800                        | 1.46%  |

*Notes:*

- (i) The above interest in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed “Directors’ Interests in underlying shares of equity derivatives of the Company”.
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The warrant-holdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of warrants, which were also included as interest of Mr. Cheok Ho Fung in the above section headed “Directors’ Interests in underlying shares of equity derivatives of the Company”.
- (iii) Kingboard Investments Limited and Kingboard Laminates Limited, holder of 208,538,000 and 202,000 shares in the Company respectively, are wholly-owned subsidiaries of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallagin Management Limited owns 30.63% equity shares in Kingboard Chemical Holdings Limited.

Save as disclosed above, no person, other than the directors and chief executive of the Company whose interests are set out in the section “Directors’ interest in shares and share option” above had registered an interests or shorts positions in the shares and underlying shares of the Company as recorded under Section 336 of the SFO as at 31 December 2006.



Save as disclosed above, the Directors and chief executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## **5. LITIGATION**

As at the Latest Practicable date, there is a claim filed by a former customer against one of the subsidiaries of the Company seeking incidental and consequential damages associated with the alleged failure of the products sold by the subsidiary for an amount of approximately US\$8 million (approximately HK\$62,400,000). It is expected that a first time mediation session will be held during September this year and if this fails the trial would not happen in the next 6 months time, so the final judgment can only be made in the next year of 2008.

## **6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquire or disposed of by, or leased to, or which are proposed to be acquired or disposed of, or leased to, the Company or any of its subsidiaries since 31 December 2006, the date of which the latest published audited consolidated financial statement of the Group were made up.

No contract or arrangement in which a Director of the Company is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

## **7. DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

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 that competed or was likely to compete with the business of the Group.

## **8. GENERAL**

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business of the Company in Hong Kong is 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

- (b) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited, Level 26, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) Mr. Fong Ching Kong, Tony is the company secretary and the qualified accountant of the Company. He is also a financial controller of the Group. He is a fellow member of Taxation Institute of Hong Kong and the Chartered Association of Certified Accountants. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (d) The English text of this circular shall prevail over the Chinese text.