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

If you have sold or transferred all your shares in China Pipe Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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中國管業集團有限公司
China Pipe Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 380)

**MAJOR TRANSACTION
IN RELATION TO DISPOSAL OF A SUBSIDIARY**

Financial adviser to the Company



Donvex Capital Limited
富域資本有限公司

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 26 April 2011 in relation to the Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Pipe Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the Sale and Purchase Agreement
“Conditions”	the conditions precedent to the Completion which includes but not limited to those as set out in the paragraph headed “Conditions precedent” under the section headed “Sale and Purchase Agreement”
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser and the assignment of the Sale Loan by the Company in favour of the Purchaser pursuant to the terms of the Sale and Purchase Agreement
“Disposal Group”	Merchant Capital Limited and its subsidiaries
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	13 May 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Purchaser”	Xiang Feng Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Relevant Parties”	Mr. Liu Yongguo, being the substantial shareholder of the Target Company, his wife, Ms. Qu Naili and his daughter, Ms. Liu Zihan are connected persons of the Company (as defined in the Listing Rules)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 April 2011 entered into between the Company and the Purchaser in relation to the Disposal
“Sale Loan”	the unsecured and interest free debt owed by the Disposal Group to the Company and its subsidiaries (other than the Disposal Group) as at the date of the Completion, which amounted to approximately HK\$128.7 million as at 31 December 2010
“Sale Shares”	100 shares of HK\$1 each of Merchant Capital Limited, representing 100% of the issued share capital of Merchant Capital Limited
“Shanghai Guohong”	上海國弘貿易有限公司 (“Shanghai Guohong Trading Company Limited”), a company established in the PRC and is wholly owned by Merchant Capital Limited
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	煙臺金裕豐無縫鋼管有限公司 (“Yantai Kiyofu Seamless Steel Pipe Co., Ltd.”), a company established in the PRC and is owned as to 40% by Mr. Liu Yongguo and 60% by Shanghai Guohong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

DEFINITIONS

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB0.84 to HK\$1.00. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

** The English translation of the Chinese names in this circular, where indicated, is included for reference only, and shall not be regarded as the official English names of such Chinese names.*

LETTER FROM THE BOARD



中國管業集團有限公司
China Pipe Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 380)

Executive Directors:

Mr. Yu Ben Ansheng
Mr. Sam Ming Choy
Mr. Lai Fulin

Non-executive Directors:

Mr. Lai Guanglin (*Chairman*)
Mr. U Kean Seng

Independent Non-executive Directors:

Mr. Wong Yee Shuen, Wilson
Mr. Chen Wei Wen
Ms. Yang Li

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

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business in Hong Kong:*

12th Floor
Phase I, Austin Tower
22-26A Austin Avenue
Tsim Sha Tsui
Kowloon
Hong Kong

16 May 2011

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF A SUBSIDIARY

INTRODUCTION

The Board announced in the Announcement that on 26 April 2011, the Company and the Purchaser entered into the Sale and Purchase Agreement for the disposal of 100% interest in Merchant Capital Limited and the Sale Loan at a consideration of RMB5.2 million (equivalent to approximately HK\$6.2 million).

The purpose of this circular is to provide you with, among others, (i) details of the Disposal; and (ii) the financial information of the Group.

THE SALE AND PURCHASE AGREEMENT

Date

26 April 2011

LETTER FROM THE BOARD

Parties:

- Vendor : China Pipe Group Limited
- Purchaser : Xiang Feng Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Purchaser is principally engaged in investment holding and the Purchaser and its ultimate beneficial owner are third parties independent of the Group and of its connected persons (as defined in the Listing Rules).

Assets to be disposed of under the Sale and Purchase Agreement

The Sale Shares, which represents 100% of the issued share capital of Merchant Capital Limited and the Sale Loan, representing all amounts due to the Company by Merchant Capital Limited as at the date of Completion.

Consideration

The consideration of RMB5.2 million (equivalent to approximately HK\$6.2 million) for the Sale Shares and the Sale Loan in cash and payable by the Purchaser to the Company on Completion.

The consideration was arrived at after arm's length negotiations between the Company and the Purchaser taking into account of the following factors:

- (i) the consolidated net liabilities of the Disposal Group as at 31 December 2010 amounted to approximately HK\$111.6 million;
- (ii) the loss-making position of the Target Company;
- (iii) the challenging prospects of seamless steel pipes business;
- (iv) high and intensive working capital requirement of the Target Company; and
- (v) reasons for and benefits of the Disposal.

Having considered the above, the Company and the Purchaser also noted that the profit guarantee has not been met pursuant to the supplemental sale and purchase agreements dated 7 September 2009 entered into between the Company and the Relevant Parties in which the Relevant Parties agreed to undertake and guarantee that the audited net profit of the Target Company, prepared in accordance with the Hong Kong Generally Accepted Accounting Principles, for the year ended 31 December 2010 should not be less than RMB30 million. In the event that the guaranteed profit is not met, the Relevant Parties are liable to compensate Shanghai Guohong the amount of the shortfall from such profit guarantee in proportion to the Relevant Parties' shareholding in the Target Company (the "Shortfall"). For the year ended 31 December 2010, the net loss of the Target Company before and after one-off items

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(mainly included impairment losses) were approximately RMB12.8 million and RMB62.7 million respectively. In view of the loss making position of the Target Company, the Company and the Relevant Parties agreed that the one-off items of the Target Company should be excluded as the basis of the calculation of the Shortfall as operating loss was intended as the basis for calculating the Shortfall. As such, the Shortfall was equivalent to 60% of the approximately RMB42.8 million, being the sum of approximately RMB25.7 million.

Save for the Shortfall, the consolidated net asset of the Disposal Group (after excluding the Sale Loan) was approximately HK\$17.1 million as at 31 December 2010. Unfortunately, financial support must be provided to the Disposal Group by the Company in order to continue the operation of seamless steel pipes business as the Disposal Group has net operating cash outflow. Should the Disposal Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying value of the assets of the Disposal Group to the recoverable amount. As such, the value of the net asset of the Disposal Group will be materially reduced.

The Company is of the view that any litigation regarding the repayment of the Shortfall against the Disposal Group will hinder the potential interest on the acquisition of the Disposal Group by the Purchaser. Although the legal claim is on the Relevant Parties, the Purchaser may request for a lower consideration for the acquisition of the Disposal Group due to the potential legal suits between the Company and the Relevant Parties or not proceed with the acquisition of the Disposal Group as a result of the failure of delivering the profit guarantee to the Company. As such, should the Company take legal action against the Relevant Parties, it will reduce the opportunity of the Disposal.

Having regard to all the circumstances, the Company and the Purchaser agreed that such a contingent claim, regardless of its commercial value or enforceability, on to the Shortfall will be assigned to the Purchaser as part of bargain based on arm's length negotiation under the Sale and Purchase Agreement. In view of the above, the Directors are of the view that the consideration is fair and reasonable and in the interests of the Shareholders as a whole.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon:

- (i) the grant of a written shareholders' approval of the execution of the Sale and Purchase Agreement and the transactions contemplated thereunder from the Shareholder(s) holding more than 50% in the nominal value of Shares having the right to attend and vote at the relevant general meeting (if a general meeting is to be convened) in lieu of holding a general meeting in accordance with the Listing Rules, or the passing of the resolution at the general meeting of the Company by the Shareholders for approving the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (ii) all relevant regulatory requirements in relation to the transactions contemplated under the Sale and Purchase Agreement having been complied with.

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If any of the conditions have not been fulfilled by the Company on or before 30 September 2011 (or such later date as the parties to the Sale and Purchase Agreement may agree), whereupon the Sale and Purchase Agreement shall have no further force and effect, and thereafter none of the parties to the Sale and Purchase Agreement shall have any rights or obligations towards each other in connection with the Sale and Purchase Agreement except for any antecedent breach.

Completion

Completion will take place within 5 business days after the fulfillment of the conditions under the Sale and Purchase Agreement or such other date as the parties may mutually agree in writing.

INFORMATION ON THE DISPOSAL GROUP

Merchant Capital Limited is a company incorporated in Hong Kong and its principal assets are the entire issued share capital of Shanghai Guohong, a company established in the PRC. Shanghai Guohong owns 60% equity interest in the Target Company which was established in the PRC with registered capital of RMB50 million and is principally engaged in the manufacturing and sale of seamless steel pipes in the PRC. Other than investment in the above companies, Merchant Capital Limited is not engaged in any other business activity.

The consolidated net liabilities of the Disposal Group as at 31 December 2010 was approximately HK\$111.6 million. The consolidated net loss (before and after tax) of the Disposal Group for the two years ended 31 December 2010 were as follows:

	Year ended 31 December 2009	Year ended 31 December 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net loss before impairment losses and tax	1.0	20.2
Impairment losses	—	124.4
	<u>1.0</u>	<u>144.6</u>
Net loss after impairment losses and before tax	<u>1.0</u>	<u>144.6</u>
	<u>0.9</u>	<u>135.6</u>
Net loss after impairment losses and tax	<u>0.9</u>	<u>135.6</u>

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the trading of construction materials, mainly pipes and fittings and manufacturing and sale of seamless steel pipes.

The reasons for disposing the Target Company are as follows:

1. The current ratio of the Group will be significantly improved from 1.73 to 2.88 upon Completion as the current liabilities of approximately HK\$318.5 million of the Group as at 31 December 2010 will be reduced to approximately HK\$141.5 million after disposing the Disposal Group.
2. The total debt to equity ratio of the Group will be significantly improved upon Completion as the total debt to equity ratio of the Group as at 31 December 2010 will be reduced from 63% to 24% after disposing the Disposal Group.
3. The Target Company has been operating at a loss, which was mainly due to (i) the impact on the domestic seamless steel pipes business from the anti-dumping and anti-subsidy on seamless steel pipes from the United States and European Union; and (ii) the failure of selling oil pipes to energy companies in the PRC. Thus, it is expected that the loss of the Target Company will be intensified. For the year ended 31 December 2010, the consolidated net operating cash outflow of the Disposal Group was approximately HK\$16.7 million. Based on the information provided by the management of the Target Company, it has estimated the working capital requirement for the operation of the Target Company is approximately RMB50 million, which will place a considerable strain on the Group's internal resources. Through the Disposal, the Company does not need to commit future capital investment or replenish extra working capital to the Target Company. Upon Completion of the Disposal, the Group can focus its resources in other subsidiaries which the Board believes that can generate better return to the Company and its Shareholders as a whole.

In light of the above, the Directors consider that the Sale and Purchase Agreement was entered into on normal commercial terms, the terms of the Sale and Purchase Agreement are fair and reasonable which have been arrived at after arm's length negotiations and in the interests of the Company and its Shareholders as a whole.

INTENDED USE OF PROCEEDS

Based on the consideration of RMB5.2 million (equivalent to approximately HK\$6.2 million) will be made, the proceeds from the Disposals, after deduction of expenses, are estimated to be of approximately HK\$5.3 million. The Company intends to apply the net proceeds from the Disposal as general working capital of the Group.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL

It is expected that the Group will recognise a loss of approximately HK\$7 million, which is calculated with reference to the difference among the consideration of RMB5.2 million, the consolidated net liabilities of the Disposal Group (excluding Sale Loan) and the release of exchange reserve of the Disposal Group as at 31 December 2010. The amount of the actual gain or loss arising from the Disposal will be determined upon Completion depending on the carrying value of the Disposal Group (excluding Sale Loan) on Completion.

Merchant Capital Limited will cease to be a subsidiary of the Company upon Completion and its financial results will no longer be consolidated into the Group's financial statements.

According to the annual report of the Company for the year ended 31 December 2010, the total equity of the Group as at 31 December 2010 was approximately HK\$275.3 million. Upon Completion, Merchant Capital Limited will cease to be a subsidiary of the Company and its assets and liabilities will be deconsolidated from the Group's future financial statements. Accordingly, both total assets and total liabilities of the Group would decrease as a result of the Disposal. Given the Disposal Group is at highly geared position, the financial position and liquidity of the Group is expected to improve after completion of the Disposal.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios as defined in the Listing Rules are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is therefore subject to the Shareholders' approval requirements under the Listing Rules.

As no Shareholder will be required to abstain from voting on the resolution(s) in respect of the Disposal and a written Shareholder's approval of the Disposal has been obtained from Singapore Zhongxin Investment Company Limited, which holds more than 50% in nominal value of the Shares giving the right to attend and vote at the general meeting of the Company as at the date of the circular, no shareholders' meeting will be held to consider and approve the Sale and Purchase Agreement and the transaction contemplated thereunder.

ADDITIONAL INFORMATION

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

By order of the Board
China Pipe Group Limited
Lai Guanglin
Chairman

1. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will remain its trading of pipes and fittings business after the Disposal. The next 12 months will continue to be challenging and the Group will focus on upgrading the products and services developing new product lines, and strengthening its relationships with its customers. Through these initiatives, it's aim at growing our top line sales and improving the profits of the Group.

In addition, as mentioned in the section headed "Reasons for and benefits of the Disposal" in the Letter from the Board of this circular, the Disposal will reduce the finance costs burden of the Group and will result in the improvement of gearing, financial position and liquidity of the Group, which will enable the Group to take on new investment opportunities as and when they arise, for enhancing its competitiveness and shareholders' value.

As at the Latest Practicable Date, the Company had no agreement, arrangement, understanding, negotiation and intention to dispose of and/or scale down its existing business.

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 March 2011, being the latest practicable date for the purpose of this indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$179.7 million, details of which are set out below:

	<i>HK\$ million</i>
Bank borrowings, secured	165.9
Bank borrowings, unsecured	9.8
Shareholder loan	<u>4.0</u>
	<u><u>179.7</u></u>

The secured bank borrowings were secured by corporate guarantees and certain assets held by subsidiaries. As at 31 March 2011, the carrying amounts of the assets included property, plant and equipment of approximately HK\$3.5 million, land use rights of approximately HK\$27.0 million, inventories of approximately HK\$86.6 million and bank deposit of approximately HK\$110.9 million.

Contingent liabilities

At the close of business on 31 March 2011, a subsidiary of the Group in Mainland China has provided a corporate guarantee (with maximum exposure of approximately HK\$22.1 million) in favor of a bank to support the banking facilities of approximately HK\$44.2 million obtained by an independent third party which is required to provide 50% pledged deposit upon drawdown.

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 31 March 2011, any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than under normal trade bills) or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, amounts denominated in RMB have been translated into Hong Kong dollars at an exchange rate of RMB1 = HK\$1.1956.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 March 2011.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group and its internal generated funds, the Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2010 the date to which the latest published audited consolidated financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company ("Model Code") were as follows:

Long position in the Shares and underlying Shares of the Company

Name of Directors	Capacity	Number of Shares of the Company		Number of underlying shares held pursuant to share options (note 3)	Total	Approximate percentage of Shares in issue
		Personal Interests	Corporate Interests			
Lai Guanglin	Interest of controlled corporation	–	7,705,521,207 (note 1)	–	7,705,521,207	57.79%
Yu Ben Ansheng	Beneficial owner/Interest of controlled corporation	30,000,000	1,460,000,000 (note 2)	–	1,490,000,000	11.18%
Lai Fulin	Beneficial owner	–	–	50,000,000 (note 4)	50,000,000	0.38%
Sam Ming Choy	Beneficial owner	–	–	50,000,000 (note 4)	50,000,000	0.38%
U Kean Seng	Beneficial owner	–	–	30,000,000 (note 4)	30,000,000	0.23%
Wong Yee Shuen, Wilson	Beneficial owner	–	–	10,000,000 (note 4)	10,000,000	0.08%
Chen Wei Wen	Beneficial owner	–	–	10,000,000 (note 5)	10,000,000	0.08%

Notes:

1. These shares are held by Singapore Zhongxin Investment Company Limited (“Singapore Zhongxin”), which is wholly and beneficially owned by Mr. Lai Guanglin, a non-executive Director and Chairman of the Company. Accordingly, Mr. Lai Guanglin is deemed to be interested in such shares under the SFO.
2. These shares are held by King Jade Holdings Limited (“King Jade”), which is wholly and beneficially owned by Mr. Yu Ben Ansheng, an executive Director of the Company. Accordingly, Mr. Yu Ben Ansheng is deemed to be interested in such shares under the SFO.
3. The interests in the underlying shares represented share options granted pursuant to the share option scheme adopted by the Company on 24 June 2004.
4. These share options were granted on 3 December 2009 and be exercisable during the period between 3 June 2010 to 2 December 2019 at an exercise price of HK\$0.071 per Share.
5. These share options were granted on 5 May 2010 and be exercisable during the period between 5 November 2010 to 4 May 2020 at an exercise price of HK\$0.083 per Share.

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

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors or chief executives of the Company) or corporations had interests or short positions, if any, 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 which were recorded in the register required to be kept by the Company under Section 336 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 meeting of any other member of the Group were as follows:

(a) Interests in the Company

Name of Shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage of shares in issue
Singapore Zhongxin (note 1)	Beneficial owner	7,705,521,207 (L)	57.79%
Li Juan (note 2)	Interest of spouse	7,705,521,207 (L)	57.79%
King Jade (note 3)	Beneficial owner	1,460,000,000 (L)	10.95%
Zhang Lin (note 4)	Interest of spouse	1,490,000,000 (L)	11.18%

Notes:

1. Singapore Zhongxin is wholly and beneficially owned by Mr. Lai Guanglin, a non-executive Director and Chairman of the Company. Accordingly, Mr. Lai Guanglin is deemed to be interested in such shares under the SFO.
2. Ms. Li Juan, the spouse of Mr. Lai Guanglin, is also deemed to be interested in Mr. Lai's interest in the Company under the SFO.
3. King Jade is wholly and beneficially owned by Mr. Yu Ben Ansheng, an executive Director of the Company. Accordingly, Mr. Yu Ben Ansheng, is deemed to be interested in such shares under the SFO.
4. Ms. Zhang Lin, the spouse of Mr. Yu Ben Ansheng, is also deemed to be interested in Mr. Yu's interest in the Company under the SFO.
5. The letter "L" denotes long position.

(b) Interests in other members of the Company

Name of subsidiary of the Company	Name of the other shareholder	Approximate percentage of share capital or registered capital of the subsidiary
Target Company	Liu Yongguo	40%

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the Chief executives of the Company) who had interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), 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 are, 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 meeting of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or its subsidiaries within two years immediately preceding the date of this circular, which are or may be material:

- (a) the Sale and Purchase Agreement at a consideration of RMB5.2 million (equivalent to approximately HK\$6.2 million);
- (b) the sale and purchase agreement entered into on 21 January 2011 between World Trade Bun Kee (BVI) Ltd., a direct wholly-owned subsidiary of the Company, and Magic Joy Global Limited in relation to the disposal of the entire issued share capital of National Link Investment Limited at the consideration of HK\$1;
- (c) the sale and purchase agreement entered into on 10 December 2010 between the Company and Fuhua Investments Limited in relation to the disposal of all issued shares in Noble Win International Limited and assignment of the aggregate amount of loans and payables owing by Noble Win International Limited and Easytech Enterprise Limited to the Company at an aggregate consideration of RMB142.0 million (equivalent to approximately HK\$165.6 million) (subject to adjustment in accordance with the sale and purchase agreement);
- (d) the termination letter agreement dated 2 December 2010 entered into, among others, Dynamic Event Limited, Leader Crest Limited and First Chance Limited in relation to the termination of the subscription agreement as mentioned in (f) below;
- (e) the termination letter agreement dated 2 December 2010 entered into between Ace Gold Holdings Limited and First Chance Limited in relation to the termination of the sale and purchase agreement as mentioned in (g) below;
- (f) the subscription agreement in relation to the subscription for the 99,900 new shares of Dynamic Event Limited of US\$1 each entered into, among others, Dynamic Event Limited, Leader Crest Limited and First Chance Limited on 6 August 2010 at a maximum consideration of the aggregate of HK\$10.69 billion and US\$99,900;
- (g) the sale and purchase agreement in relation to the sale and purchase of the 100 existing shares of Dynamic Event Limited of US\$1 each entered into between Ace Gold Holdings Limited and First Chance Limited on 6 August 2010 at a consideration of HK\$10 million;
- (h) the second supplemental placing agreement dated 13 September 2010 entered into between the Company and GF Securities (Hong Kong) Brokerage Limited to supplement or amend certain terms and conditions of the Placing Agreement (as defined below);

- (i) the supplemental placing agreement dated 6 August 2010 entered into between the Company and GF Securities (Hong Kong) Brokerage Limited to supplement or amend certain terms and conditions of the Placing Agreement (as defined below);
- (j) the agreement entered into between the Company and GF Securities (Hong Kong) Brokerage Limited dated 5 August 2010 in respect of the placing of up to 1 billion new shares of the Company (the “Placing Agreement”);
- (k) the non-legally binding memorandum of understanding dated 28 April 2010 (as supplemented by an extension letter dated 10 June 2010) entered into between Ocean Ample Limited and the Company in relation to the possible acquisition by a subsidiary of the Company from Ocean Ample Limited of the entire issued share capital of Dynamic Event Limited and all shareholder’s loan due from Dynamic Event Limited to Ocean Ample Limited and its associates;
- (l) the preliminary agreement dated 29 December 2009 entered into between Incharm Limited as purchaser and Glory Star Trading Limited, a wholly owned subsidiary of the Company, as vendor in relation to the disposal of a property at 20th Floor, Hong Villa, 12 Bowen Road, Hong Kong and car parking spaces Nos. 23 and 23A on Level 2 at the consideration of HK\$69.0 million;
- (m) the supplemental agreement dated 7 September 2009 entered into between Shanghai Guohong and Qu Naili (曲乃麗) to supplement or amend certain terms and conditions of the Agreement A (as defined in (p) below) and pursuant to which, the aggregate consideration of Agreement A was amended to RMB11.4 million in cash and HK\$30.4 million by issue of new shares of the Company;
- (n) the supplemental agreement dated 7 September 2009 entered into between Shanghai Guohong and Liu Zihan (劉子涵) to supplement or amend certain terms and conditions of the Agreement B (as defined in (q) below) and pursuant to which aggregate consideration of Agreement B was amended to RMB3.6 million in cash and HK\$9.6 million by issue of new shares of the Company;
- (o) the supplemental agreement dated 7 September 2009 entered into between Shanghai Guohong and Liu Yongguo (劉永國) to supplement or amend certain terms and conditions of the Agreement C (as defined in (r) below) and pursuant to which, the aggregate consideration of Agreement C was amended to RMB3.0 million in cash and HK\$8.0 million by issue of new shares of the Company;
- (p) the sale and purchase agreement dated 15 July 2009 entered into between Shanghai Guohong and Qu Naili (曲乃麗) in relation to the acquisition of 38% equity interest in the Target Company (the “Agreement A”) at an aggregate consideration of RMB11.4 million;
- (q) the sale and purchase agreement dated 15 July 2009 entered into between Shanghai Guohong and Liu Zihan (劉子涵) in relation to the acquisition of 12% equity interest in the Target Company (the “Agreement B”) at an aggregate consideration of RMB3.6 million; and

- (r) the sale and purchase agreement dated 15 July 2009 entered into between Shanghai Guohong and Liu Yongguo (劉永國) in relation to the acquisition of 10% equity interest in the Target Company (the “Agreement C”) at an aggregate consideration of RMB3.0 million.

8. LITIGATION

In March 2009, Bun Kee (International) Limited (“**Bun Kee**”), a subsidiary of the Company received a writ of summons (the “**Writ**”) which was issued by four companies (the “**Plaintiff(s)**”) claiming, among other things, a total sum of USD1,339,657.13 and EUR329,152.46 for alleged overdue invoices in respect of goods supplied, plus interest. According to the Writ, three of the Plaintiffs are associated and/or related subsidiary companies of the other Plaintiff (the “**First Plaintiff**”). In June 2009, Bun Kee filed a defence and counterclaim against the Plaintiffs, in which Bun Kee claimed, among other things, damages in a total sum of HK\$54,994,546 against the First Plaintiff. In July 2009, Bun Kee received a reply and defence to counterclaim issued by the Plaintiffs. The parties are currently in settlement negotiation with a view to resolving the matter out of court.

After considering the circumstances of the above-mentioned litigation, the Directors are of the opinion that no provision for contingent liabilities is required by Bun Kee or the Group.

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

9. QUALIFICATION OF EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinions or advice in this circular:

Name	Qualification
Donvex Capital Limited	A licensed corporation registered under the SFO which engages in Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Donvex Capital Limited did not have any shareholding directly or indirectly in any member of Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, Donvex Capital Limited did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, the date of which the latest published audited consolidated financial statements of the Group were made up.

Donvex Capital Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its name in the form and context in which it appears.

10. GENERAL

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at 12th Floor, Phase I, Austin Tower, 22-26A Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.
- (b) The Company's Hong Kong share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Tsang Wai Yip, Patrick who is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales.
- (d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's head office and principal place of business in Hong Kong at 12th Floor, Phase I, Austin Tower, 22-26A Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours on any week day (except public holidays) from the date of this circular up to 31 May 2011, both days inclusive:

- (a) the material contracts as referred to in the section headed "Material Contracts" in this Appendix;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for each of the two years ended 31 December 2009 and 2010;
- (d) the written consent from the expert referred to in the section headed "Qualification of Expert and Consent " in this Appendix; and
- (e) this circular.

12. LANGUAGE

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