
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about 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 advisers.

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

This circular is addressed to the shareholders of the Company in connection with two extraordinary general meetings of the Company to be held on Monday, 13 October 2008 and Monday, 15 December 2008 respectively. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, shares in or other securities of the Company.

The Stock Exchange and HKSCC take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



APEX CAPITAL LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 905)

- (1) OPEN OFFER IN THE PROPORTION OF TWO OFFER SHARES
FOR EVERY ONE SHARE HELD ON THE RECORD DATE;
(2) INCREASE IN AUTHORIZED SHARE CAPITAL;
(3) CHANGE OF COMPANY NAME;
(4) TERMINATION OF EXISTING SHARE OPTION SCHEME
AND ADOPTION OF NEW SHARE OPTION SCHEME

Financial Adviser to the Company



UPBEST SECURITIES COMPANY LIMITED

Underwriter



UPBEST SECURITIES COMPANY LIMITED

Joint Independent Financial Advisers to the
Independent Board Committee and the Independent Shareholders



HERTFORD CAPITAL LIMITED
萃匯融資有限公司



招銀國際
CMB International Capital Corporation Limited

Terms used in this cover page have the same meanings as defined in this circular.

The letter from the Joint Independent Financial Advisers is set out on pages 24 to 32 of this circular. The letter from the Independent Board Committee is set out on page 23 of this circular.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date, which is currently expected to be Monday, 13 October 2008. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Registrar by 4:00 p.m. on Monday, 6 October 2008. The last day of dealings in Shares on a cum-entitlement basis is therefore expected to be Thursday, 2 October 2008. The Shares will be dealt with on an ex-entitlement basis from Friday, 3 October 2008.

A notice convening the EGM to be held at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong at 10:00 a.m. on Monday, 13 October 2008 is set out on pages 90 to 92 of this circular. If you are unable to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

A notice convening the EGM 2 to be held at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong at 10:00 a.m. on Monday, 15 December 2008 is set out on pages 93 to 94 of this circular. If you are unable to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM 2. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM 2 if you so wish.

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
- (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than five consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches and the Open Offer will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties or representations contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Open Offer will not proceed.

The Shares will be dealt with on an ex-entitlement basis from Friday, 3 October 2008 and the Open Offer is conditional. If the conditions of the Open Offer are not satisfied by the relevant date(s) or, if no such date is specified, the Latest Time for Termination or such later date or dates as the Underwriter may agree with the Company in writing, or the Underwriting Agreement is terminated by the Underwriter, the Open Offer will not proceed and will lapse. Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Open Offer are satisfied bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares are recommended to consult their own professional advisers.

10 September 2008

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 20 August 2008 relating to, among other things, the Open Offer
“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Auditors”	the auditors for the time being of the Company
“Board”	the board of the Directors
“Business Day”	a day (other than a Saturday or a day on which a tropical cyclone warning signal No.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“CMB”	CMB International Capital Corporation Limited, a licensed corporation for Type 1 (dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), which has been appointed by the Company as one of the Joint Independent Financial Advisers
“Company”	Apex Capital Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Controlling Shareholder”	中國天地行物流控股集團有限公司 (for identification purpose, in English, China Tian Di Xing Logistics Holdings Limited), a company incorporated in Hong Kong and the legal and beneficial owner of 132,933,200 Shares as at the Latest Practicable Date
“Date of Grant”	the date on which the Board resolves to make an offer to grant an option under the New Share Option Scheme to a Participant
“Director(s)”	the director(s) of the Company, including the independent non-executive director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong at 10:00 a.m. on Monday, 13 October 2008 for the purposes of considering and approving, among other things, the Open Offer, the increase in authorized share capital of the Company and the change of the Company’s name
“EGM 2”	the extraordinary general meeting of the Company to be convened and held at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong at 10:00 a.m. on Monday, 15 December 2008 for the purpose of considering and approving the termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme
“Existing Share Option Scheme”	the Company’s existing share options scheme adopted on 23 May 2002
“Grantee”	any Participant who accepts an offer of the grant of option in accordance with the terms of the New Share Option Scheme, or any person who are entitled to any such option
“Group”	the Company and its subsidiaries
“Hertford”	Hertford Capital Limited, a licensed corporation for Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), which has been appointed by the Company as one of the Joint Independent Financial Advisers
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board, comprising Mr. Chee Man Sang, Eric, Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie, all being the independent non-executive Directors, constituted to advise the Independent Shareholders on the Open Offer
“Independent Shareholders”	Shareholders other than (1) the Controlling Shareholder and Mr. Mung and their respective associates; (2) those who are involved in or interested in the Underwriting Agreement; and (3) those who are required to abstain from voting on the resolution to approve the Open Offer at the EGM

DEFINITIONS

“Joint Independent Financial Advisers”	Hertford and CMB, which have been appointed by the Company as the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer
“Last Trading Date”	15 August 2008, being the last trading day of the Shares prior to the release of the Announcement
“Latest Acceptance Time”	4:00 p.m. on Thursday, 30 October 2008 or such later time as may be agreed between the Company and the Underwriter in writing, being the latest time for acceptance of the offer of Offer Shares
“Latest Practicable Date”	8 September 2008, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
“Latest Time for Termination”	4:00 p.m. on the third Business Day after the Latest Acceptance Time or such other time and date as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the EGM 2, a summary of the principal terms of which is set out in Appendix IV
“Mr. Mung”	Mr. Mung Kin Keung, the chairman and an executive director of the Company and beneficial owner of 99.99% of the issued share capital of the Controlling Shareholder
“Offer Share(s)”	480,000,000 new Shares to be issued by the Company pursuant to the Open Offer
“Open Offer”	the proposed issue of Offer Shares by the Company on the basis of two Offer Shares for every one existing Share held on the Record Date to the Qualifying Shareholders at the Subscription Price, pursuant to the terms and conditions of the Open Offer
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong

DEFINITIONS

“Participant”	any person who satisfies the eligibility requirements in the New Share Option Scheme namely: (a) any full-time employee, director (including any non-executive director or independent non-executive director) and part time employee with weekly working hours of 15 hours or above of the Company or of any of its subsidiaries; (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any adviser, consultant, agent, business affiliate or any person or entity who provides research or other support directly or indirectly to the Group, and any employee, adviser or consultant to the investment management company for the Company, who, at the sole determination of the Board, has contributed to the Group (the assessment criteria of which are (i) such person’s contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group directly or indirectly; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group)
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau Special Administration Region and Taiwan
“Prohibited Shareholder(s)”	Overseas Shareholder(s) whom the Board, after having made enquiries, considers it necessary or expedient not to offer the Offer Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Prospectus”	the prospectus to be despatched to the Shareholders in connection with the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	16 October 2008, the date of posting the Prospectus Documents to Qualifying Shareholders and the Prospectus to Prohibited Shareholders for their information only

DEFINITIONS

“Qualifying Shareholder(s)”	the Shareholder(s), other than the Prohibited Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	Monday, 13 October 2008, being the date by reference to which entitlements to the Open Offer will be determined (or such other date as the Underwriter may agree in writing with the Company)
“Registrar”	Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the branch share registrar of the Company in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.0695 per Offer Share pursuant to the Open Offer
“Underwriter”	Upbest Securities Company Limited, a licensed corporation for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), whose ordinary course of business includes underwriting
“Underwriting Agreement”	the underwriting agreement dated 15 August 2008 entered into between the Company, the Underwriter and the Controlling Shareholder in relation to the Open Offer
“HK\$” or “\$”	Hong Kong dollars
“%”	per cent.

EXPECTED TIMETABLE

2008

Despatch of the Company's circular with notices of EGM and EGM 2 respectively	Wednesday, 10 September
Last day of dealings in Shares on a cum-rights basis	Thursday, 2 October
First day of dealings in Shares on an ex-rights basis	Friday, 3 October
Latest time for lodging transfer of Shares in order to qualify for the Open Offer.	4:00 p.m. on Monday, 6 October
Register of members of the Company closes (both dates inclusive)	Wednesday, 8 October to Monday, 13 October
Date of EGM.	10:00 a.m. on Monday, 13 October
Record Date	Monday, 13 October
Announcement of results of EGM.	by 11:00 p.m. on Monday, 13 October
Register of members re-opens	Tuesday, 14 October
Despatch of the Prospectus Documents	Thursday, 16 October
Latest time for payment and acceptance of Offer Shares.	4:00 p.m. on Thursday, 30 October
Latest time for the Offer Shares to become unconditional.	4:00 p.m. on Tuesday, 4 November
Announcement of results of acceptance of the Open Offer	Wednesday, 5 November
Despatch of certificates for Offer Shares on or before.	Friday, 7 November
Commencement of dealings in Offer Shares	Tuesday, 11 November
Date of EGM 2	10:00 a.m. Monday, 15 December

Dates stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced by the Company as appropriate.

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local times and dates.
2. Completion and return of the form of proxy will not preclude a Shareholder or, as the case may be, an Independent Shareholder from attending and voting in person at the meeting convened or any adjournment thereof.

3. EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE TIME AND PAYMENT FOR OFFER SHARES

The Latest Acceptance Time and the latest time for any payment for the Offer Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above; or
 - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 30 October 2008. Instead, the Latest Acceptance Time and payment for the Offer Shares will be extended to 5:00 p.m. on the same day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 30 October 2008. Instead, the Latest Acceptance Time and the latest time for payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Acceptance Time and the latest time for payment for the Offer Shares do not take place on Thursday, 30 October 2008, the dates mentioned in this section headed “Expected timetable” may be affected. An announcement will be made by the Company in such event.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. These events are set out in the paragraph headed “Termination of the Underwriting Agreement” on pages 14 and 15 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer will not proceed.

LETTER FROM THE BOARD



APEX CAPITAL LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 905)

Executive Director:

Mr. MUNG Kin Keung (*Chairman*)

Mr. HA Wing Ho, Peter

Mr. LEONG Chi Wai

Mr. LEUNG King Yue, Alex

Registered Office:

P.O. Box 309

Ugland House

George Town

Grand Cayman

Cayman Islands

Independent non-executive Directors:

Mr. CHEE Man Sang, Eric

Mr. LO Tak Kin

Ms. YU Tin Yan, Winnie

*Principal place of business
in Hong Kong*

28th Floor

Bank of East Asia

Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

10 September 2008

- (1) OPEN OFFER IN THE PROPORTION OF TWO OFFER SHARES
FOR EVERY ONE SHARE HELD ON THE RECORD DATE;
(2) INCREASE IN AUTHORIZED SHARE CAPITAL;
(3) CHANGE OF COMPANY NAME;
(4) TERMINATION OF EXISTING SHARE OPTION SCHEME
AND ADOPTION OF NEW SHARE OPTION SCHEME**

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

The Board announced on 20 August 2008 that the Company proposed to:

1. raise approximately HK\$33,360,000 before expenses by issuing 480,000,000 Offer Shares at the Subscription Price of HK\$0.0695 per Offer Share on the basis of two Offer Shares for every one existing Share in issue on the Record Date;

LETTER FROM THE BOARD

2. increase its authorised share capital from HK\$10,000,000 divided into 400,000,000 Shares to HK\$50,000,000 divided into 2,000,000,000 Shares by creating an additional 1,600,000,000 unissued Shares;
3. change of the Company's name from "Apex Capital Limited" to "Mastermind Capital Limited" and upon the name change becoming effective, the new Chinese name "慧德投資有限公司" will be adopted to replace "鼎洋投資有限公司" for identification purpose only;
4. adopt the New Share Option Scheme and simultaneously terminate the Existing Share Option Scheme

The purpose of this circular is to give you further information on, among other things, details of the Open Offer, the increase in authorized share capital, change of the Company's name, termination of Existing Share Option Scheme and adoption of New Share Option Scheme, the recommendation of the Independent Board Committee and the letter from the Joint Independent Financial Advisers to the Independent Board Committee and Independent Shareholders together with notices convening the EGM and EGM 2 respectively.

PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer	:	Two Offer Shares for every one existing Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	240,000,000 Shares
Subscription Price	:	HK\$0.0695 per Offer Share payable in full on application
Number of Offer Shares to be issued	:	480,000,000 Offer Shares
Number of Offer Shares undertaken to be taken up by the Controlling Shareholder	:	Pursuant to the Underwriting Agreement, the Controlling Shareholder has undertaken to subscribe for 265,866,400 Offer Shares to which the Controlling Shareholder is entitled pursuant to the Open Offer
Number of Offer Shares underwritten by the Underwriter pursuant to the Underwriting Agreement	:	The Underwriter has conditionally agreed to take up all the Offer Shares (other than the Offer Shares agreed to be taken up by the Controlling Shareholder) which have not been taken up, being not more than 214,133,600 Offer Shares. The Open Offer is fully underwritten.

As at the Latest Practicable Date, there were no other outstanding convertible note, share option, warrant, derivative or other securities convertible into or exchangeable for any Shares.

LETTER FROM THE BOARD

Subscription Price of the Offer Shares

The Subscription Price for the Offer Shares is HK\$0.0695 per Offer Share, payable in full when a Qualifying Shareholder submits the application for the Offer Shares under the Open Offer.

The Subscription Price

- represents a discount of approximately 61.4% to the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Date;
- represents a discount of approximately 61.4% to the average closing price of HK\$0.18 per Share for the five (5) consecutive trading days up to and including the Last Trading Date;
- represents a discount of approximately 61.4% to the average closing price of HK\$0.18 per Share for the ten (10) consecutive trading days up to and including the Last Trading Date;
- represents a discount of approximately 34.6% to the theoretical ex-rights price of HK\$0.1063 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Date; and
- represents a premium of approximately 758.0% to the audited consolidated net tangible assets value per Share of approximately HK\$0.0081 (calculated by dividing the latest published audited net tangible assets value of the Group as at 31 December 2007 by the 240,000,000 Shares in issue as at the date of Announcement).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing Share prices and the recent financial conditions of the Group. Taking into account the aforesaid, the theoretical ex-rights price per Share, and the discounts of the Subscription Price to the closing prices of the Shares in the recent trading days, Shareholders may be more interested in participating in the Open Offer without exerting excessive financial burden on their part, the Directors consider that the discount on the Subscription Price to the current market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid, whose record dates for determining such entitlement fall on or after the date of allotment and issue of the Offer Shares.

LETTER FROM THE BOARD

No Application for excess Offer Shares

Under the Open Offer, no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlements.

Any Offer Shares not taken up by the Qualifying Shareholders and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled under the Open Offer will be taken up by the Underwriter.

Fractions of Offer Shares

No fractional entitlements to the Offer Shares will be allotted to individual Shareholder. All such fractional entitlements will be aggregated and form part of the Offer Shares to be underwritten by the Underwriter.

Share certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer (details of which are set out in the section “**Conditions of the Open Offer**” below), certificates for all fully-paid Offer Shares are expected to be sent by ordinary post on or before 7 November 2008 to the Qualifying Shareholders who have applied for, and paid for the Offer Shares at their own risk.

Qualifying Shareholders

The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Prohibited Shareholders. To qualify for the Open Offer, the Shareholder must be registered as a member of the Company on the Record Date; and must not be a Prohibited Shareholder.

In order to be registered as a member of the Company on the Record Date, the Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Company’s branch share registrar in Hong Kong by 4:00 p.m. on 6 October 2008. The last day of dealings in Shares on a cum-rights basis is therefore expected to be 2 October 2008. The Shares will be dealt with on an ex-rights basis from 3 October 2008.

The Company’s branch share registrar in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

The right to apply for Offer Shares under Application Forms is not transferable or capable of renunciation and there will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange.

Closure of register of members

The Company’s register of members will be closed from 8 October 2008 to 13 October 2008, both dates inclusive, to determine entitlements to the Open Offer. No transfer of Shares will be registered during this period.

LETTER FROM THE BOARD

Prohibited Shareholders

If, based on enquiries made by the Company (which will be sought by the Company in case there is any Overseas Shareholders), the Directors consider that it is necessary or expedient not to extend the Open Offer to the Overseas Shareholders on account either of the legal restrictions under the laws of the places of his/her/its registered addresses or the requirements of the relevant regulatory bodies or stock exchanges, the Open Offer will not be available to the Prohibited Shareholders. The Company will send the Prospectus to the Prohibited Shareholders for their information only. The Company will not send the Application Forms to the Prohibited Shareholders, but the Prohibited Shareholders will be entitled to attend and vote at the EGM. According to the register of members of the Company as at the Latest Practicable Date, there is no Overseas Shareholders.

Conditions of the Open Offer

Pursuant to the Underwriting Agreement, the Open Offer is conditional upon the following conditions being fulfilled:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by every Director (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Prospectus Posting Date;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Offer Shares;
- (d) the Underwriting Agreement not being terminated;
- (e) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (f) compliance with and performance of the undertakings and obligations of the Controlling Shareholder under the terms of the Underwriting Agreement;
- (g) the passing by the Shareholders at the EGM of an ordinary resolution to approve the increase in the authorised share capital of the Company from HK\$10,000,000 to HK\$50,000,000; and
- (h) the passing by the Independent Shareholders at the EGM of an ordinary resolution (such vote shall be taken by way of poll) to approve the Open Offer.

None of the conditions specified above can be waived by the Underwriter or the Company.

LETTER FROM THE BOARD

If any of the conditions of the Open Offer are not fulfilled by the dates specified therein or if not so specified, by the Latest Time for Termination, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches and the Open Offer will not proceed.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	15 August 2008
Underwriter:	Upbest Securities Company Limited. To the best of the Directors' information and belief, the Underwriter and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).
Number of Underwritten Shares:	The Underwriter has conditionally agreed to take up all the Offer Shares (other than the Offer Shares agreed to be taken up by the Controlling Shareholder) which have not been taken up, being not more than 214,133,600 Offer Shares. The Open Offer is fully underwritten.
Commission:	2.50% of the aggregate Subscription Price of the maximum number of Offer Shares underwritten by the Underwriter. The rate of Commission was determined after arm's length negotiation between the Company and the Underwriter with reference to principal factors such as market conditions, financial position of the Group, market price and liquidity of the Shares and is commensurate with market practices. The Directors consider that the Commission is fair and reasonable in the circumstances.

If by the Latest Acceptance Time, any of the Offer Shares have not been accepted in accordance with the terms of the Prospectus Documents, the Company shall on or before 4:00 p.m. on the first Business Day after the Latest Acceptance Time notify or procure its branch share registrar in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of the Offer Shares not taken up and the Underwriter shall subscribe or procure subscription for the Offer Shares not taken up and pay the relevant subscription monies not later than 5:00 p.m. on the third Business Day after (but not including) the Latest Acceptance Time.

LETTER FROM THE BOARD

Undertaking by the Controlling Shareholder

As at the date of the Announcement, the Controlling Shareholder is the legal and beneficial owner of 132,933,200 Shares. Mr. Mung is the beneficial owner of 99.99% of the issued share capital of the Controlling Shareholder. Pursuant to the Underwriting Agreement, the Controlling Shareholder has undertaken to subscribe or procure the subscription of 265,866,400 Offer Shares to which the Controlling Shareholder is entitled pursuant to the Open Offer.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generic with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

LETTER FROM THE BOARD

- (c) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than five consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches and the Open Offer will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties or representations contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter.

LETTER FROM THE BOARD

Shareholding structure of the Company

The following is the shareholding structure of the Company (i) as at Latest Practicable Date; (ii) immediately following completion of the Open Offer assuming all Qualifying Shareholders have taken up their respective entitlements in full; (iii) immediately following completion of the Open Offer assuming that no Qualifying Shareholder (except the Controlling Shareholder) takes up his/her/its entitlement under the Open Offer (assuming that no Shares will be issued from the Latest Practicable Date to the Record Date and that there are no Prohibited Shareholders):

Shareholders	As at Latest Practicable Date		After completion of the Open Offer and assuming all Qualifying Shareholders take up the Offer Shares		After completion of the Open Offer and assuming no Qualifying Shareholders take up the Offer Shares except China Tian Di Xing Logistics Holdings Limited	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
中國天地行物流控股集團有限公司 (For identification purpose, in English, China Tian Di Xing Logistics Holdings Limited)	132,933,200	55.39	398,799,600	55.39	398,799,600	55.39
Underwriter	0	0.00	0	0.00	214,133,600	29.74
Public Shareholders	107,066,800	44.61	321,200,400	44.61	107,066,800	14.87
Total	<u>240,000,000</u>	<u>100.00</u>	<u>720,000,000</u>	<u>100.00</u>	<u>720,000,000</u>	<u>100.00</u>

Reasons for the Open Offer

The Company is an investment company listed under Chapter 21 of the Listing Rules and is principally engaged in investments in listed and unlisted companies in Hong Kong and the PRC.

The Board considers that it is prudent to finance the Company's long-term growth by long-term funding, preferably in the form of equity as it will not increase the Company's finance costs. Open Offer provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position. Since the Open Offer will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Open Offer.

Use of the proceeds from the Open Offer

The estimated net proceeds under the Open Offer are expected to be approximately HK\$31,700,000. The Company intends to use the proceeds for general working capital in accordance with the Company's business policy of investing in listed and unlisted companies in Hong Kong and the PRC so as to achieve capital appreciation of its assets. Currently the Company has not identified any specific investment.

LETTER FROM THE BOARD

Fund raising activities of the Company within 12 months to the Latest Practicable Date

The Company did not conduct any fund raising exercises in the past 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

WARNING OF THE RISK OF DEALING IN THE SHARES

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement have not been fulfilled in accordance with the terms thereof, the Open Offer will not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares and are advised to consult their professional advisers if they are in any doubt about their positions.

The Shares will be dealt with on an ex-entitlement basis commencing from 3 October 2008 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Open Offer are fulfilled bear the risk that the Open Offer may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares up to the date when the conditions of the Open Offer are fulfilled.

LISTING AND DEALINGS

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Offer Shares in their fully-paid form.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Subject to the grant of listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

All necessary arrangements will be made to enable the Offer Shares in their fully-paid form to be admitted into CCASS.

Offer Shares, together with the Shares, will be traded in board lots of 20,000 (same as the current board lot size of the Shares as traded on the Stock Exchange). Dealings in Offer Shares will be subject to the payment of the applicable stamp duty and any other applicable fees and charges in Hong Kong.

The first day of dealings in the Offer Shares is expected to commence on Tuesday, 11 November 2008.

BUSINESS REVIEW AND PROSPECTS

The Company is an investment company listed under Chapter 21 of the Listing Rules and is principally engaged in investments in listed and unlisted companies in Hong Kong and the PRC.

For the financial year ended 31 December 2007, the consolidated loss of the Group amounted to HK\$3.3 million and the consolidated net assets of the Group as at 31 December 2007 were HK\$1.9 million.

In view of the continuing losses experienced by the Group over the past several years and the relatively small net asset value of the Group, the Group has insufficient working capital to make material investments and to support its growth. The Open Offer would enable the Group to have fresh funding for its working capital without increasing the Group's finance costs. The Group will continue to focus on investment opportunities in listed and unlisted companies in Hong Kong and the PRC and to achieve capital appreciation of its assets. The cautious approach of the Board since 2007 has helped the Group to avoid the volatility and substantial correction of the equity markets in Hong Kong and the PRC. Compared with a year ago, the valuation of equities generally have come down to a level that is beginning to be attractive for long term investments. The Board is actively looking for bargain investment opportunities under the current market conditions. However the Board is still wary of the financial crisis of the United States and its potential adverse effects on the rest of the world's economies, including Hong Kong and the PRC. Hence the Board would take a prudent approach in accordance to the Board's strict investment guidelines.

INCREASE IN AUTHORISED SHARE CAPITAL

To cater for the Open Offer, the Company proposes to increase its authorised share capital from HK\$10,000,000 divided into 400,000,000 Shares to HK\$50,000,000 divided into 2,000,000,000 Shares by creating an additional 1,600,000,000 unissued Shares. The Open Offer is conditional upon the said increase in its authorized share capital, but the said increase in authorized share capital is not conditional upon the Open Offer.

CHANGE OF COMPANY NAME

A special resolution will be proposed at the EGM to approve the change of the Company's name from "Apex Capital Limited" to "Mastermind Capital Limited" and upon the change of name becoming effective, the new Chinese name "慧德投資有限公司" will be adopted to replace "鼎洋投資有限公司" for identification purpose only. The proposed change of name will take effect from the date of entry of the new name on the register maintained by the Registrar of Companies in the Cayman Islands.

LETTER FROM THE BOARD

The Board considers that the new name Mastermind Capital Limited (慧德投資有限公司) will more accurately reflect the corporate strength and vision of the Company in investments and the new name will also improve its corporate image and identity as compared with the existing name which is commonly used. The new English and Chinese names are self-explanatory which imply intelligent and brilliant investment decisions. The existing name “Apex Capital Limited” does not generate the public attention of the Company to a satisfactory standard. The Board hopes that such change of name will have a positive impact on the reputation and public awareness of the Company. The Board is therefore of the opinion that the proposed change of name of the Company is in the interests of the Company and the Shareholders as a whole.

The proposed change of Company name will not affect any rights of the existing Shareholders. All existing share certificates in issue bearing the present name of the Company shall continue to be evidence of title to such shares and valid for trading, settlement and registration purposes. There will not be any arrangement for exchange of the existing share certificates. Once the change of Company name has become effective, new share certificates will be issued under the new name of the Company. Further announcement in respect of the trading arrangement and other related matters will be made upon the change of name becoming effective.

TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

The Directors proposed to adopt the New Share Option Scheme, the principal terms of which are set out in Appendix IV. Adoption of the New Share Option Scheme is conditional upon (i) the approval of the New Share Option Scheme at EGM 2; and (ii) the Stock Exchange granting approval of the listing of, and permission to deal in, the shares of the Company which may be issued upon the exercise of the options granted under the New Share Option Scheme.

Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the shares of the Company which may be issued upon the exercise of the options which may be granted up to 10% of the total number of Shares in issue as at the date of EGM 2 under the New Share Option Scheme.

Purpose of the New Share Option Scheme

The Existing Share Option Scheme was adopted by the Company on 23 May 2002 which will expire on 22 May 2012. The Directors considered that the New Share Option Scheme, which will be valid for 10 years from the date of its adoption, will provide the Company with more flexibility in long term planning of granting of the share options to eligible persons in a longer period in the future, e.g. considering granting share options after the expiry of the Existing Share Option Scheme. This can provide appropriate incentives or rewards to eligible persons for their contributions or potential contributions to the Group.

Value of the options

The Directors consider it inappropriate to value the options that can be granted under the New Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to certain extent would be misleading to the Shareholders if the value of the

LETTER FROM THE BOARD

options is calculated based on a set of speculated assumptions. However, the information on value of the option granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of the relevant financial period for any interim or final results of the Company.

Adoption of the New Share Option Scheme

There will be no material difference between the terms of the Existing Share Option Scheme and the proposed New Share Option Scheme. A resolution will be proposed at EGM 2, which will be held after completion of the Open Offer, to approve the adoption of the New Share Option Scheme and to grant the general authority to the Directors to grant options under the New Share Option Scheme for the subscription of Shares representing up to 10% of the issued share capital of the Company as at EGM 2 and simultaneously terminate the Existing Share Option Scheme.

EGM

There is set out on pages 90 to 92 of this circular a notice convening the EGM to be held at 10:00 a.m. on Monday, 13 October 2008 at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the Open Offer and increase of authorised share capital and a special resolution will be proposed to approve the change of Company name.

At the EGM, the Underwriter, the Controlling Shareholder, Mr Mung, the Directors, and their respective associates, and those who are interested in, or involved in, the Underwriting Agreement shall abstain from voting on the resolution to approve the Open Offer. Upon the Latest Practicable Date, the Controlling Shareholder, Mr. Mung and their respective associates have not indicated to the Company of any intention to vote against the resolution regarding the Open Offer at the EGM.

A form of proxy for use at the EGM is enclosed. If you are not able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

EGM 2

There is set out on pages 93 to 94 of this circular a notice convening EGM 2 to be held at 10:00 a.m. on Monday, 15 December 2008 at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the adoption of the New Share Option Scheme and the grant of general authority to the Directors to grant options and to allot, issue and deal with Shares pursuant to the exercise of options granted under the New Share Option Scheme and termination of the Existing Share Option Scheme.

LETTER FROM THE BOARD

A form of proxy for use at the EGM 2 is enclosed. If you are not able to attend the EGM 2 in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM 2. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM 2 should you so wish.

POLL PROCEDURE

Pursuant to Rule 13.39(4)(b) of the Listing Rules, the votes to be taken at the EGM in relation to the Open Offer will be taken on a poll, the results of which will be announced after the EGM.

Pursuant to Article 100 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the Chairman of the meeting; or
- (b) at least five members present in person or by proxy and entitled to vote; or
- (c) any member or members present in person or by proxy (or in the case of a corporation, by its duly authorized representative) and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person or by proxy (or in the case of a corporation, by its duly authorized representative) and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 23 in this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Open Offer.

Your attention is also drawn to the letter from the Joint Independent Financial Advisers set out on pages 24 to 32 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as regards the Open Offer and the principal factors and reasons considered by it in arriving thereat.

The Independent Board Committee has considered the terms of the Open Offer and the advice given by the Joint Independent Financial Advisers, and recommends the Independent Shareholders to vote in favour of the resolution in relation to the Open Offer at the EGM.

LETTER FROM THE BOARD

The executive Directors consider the terms of the Open Offer, the increase in authorized share capital of the Company, the change of Company's name and the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They recommend Shareholders to vote in favour of all resolutions proposed at the EGM and EGM2.

Yours faithfully,
For and on behalf of the Board of
APEX CAPITAL LIMITED
Mung Kin Keung
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



APEX CAPITAL LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 905)

10 September 2008

To the Independent Shareholders

Dear Sir or Madam,

OPEN OFFER IN THE PROPORTION OF TWO OFFER SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE

We refer to the Letter from the Board set out in the circular of the Company dated 10 September 2008 (“**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the Open Offer and to advise the Independent Shareholders as to the fairness and reasonableness of the Open Offer and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the Open Offer. The Joint Independent Financial Advisers have been appointed to advise the Independent Board Committee in relation to the terms of the Open Offer.

We wish to draw your attention to the letter from the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Open Offer as set out in the Circular. We also draw your attention to the Letter from the Board.

Having taken into account principal factors and reasons considered by and the opinion of the Joint Independent Financial Advisers as stated in its letter of advice, we consider the terms of the Open Offer are fair and reasonable so far as the interests of the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution approving the Open Offer to be proposed at the EGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Chee Man Sang, Eric Lo Tak Kin Yu Tin Yan, Winnie

Independent non-executive Directors

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS



HERTFORD CAPITAL LIMITED
華滙融資有限公司



招银国际

CMB International Capital Corporation Limited

10 September 2008

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

PROPOSED OPEN OFFER IN THE PROPORTION OF TWO OFFER SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE

INTRODUCTION

We, Hertford Capital Limited and CMB International Capital Corporation Limited, have been appointed as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the Open Offer, details of which are contained in the "Letter from the Board" (the "Letter") of the circular to the Shareholders dated 10 September 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 15 August 2008, the Company, in furtherance of its proposal to raise HK\$33.36 million before expenses, entered into the Underwriting Agreement with the Underwriter and the Controlling Shareholder whereby

- (a) the Company proposes to issue 480,000,000 Offer Shares at the Subscription Price of HK\$0.0695 per Offer Share on the basis of two Offer Shares for every one existing Share in issue on the Record Date;
- (b) the Controlling Shareholder has undertaken to subscribe or procure to subscribe for 265,866,400 Offer Shares, which represent all the Offer Shares that the Controlling Shareholder is entitled to subscribe for under the Open Offer; and
- (c) the Underwriter has conditionally agreed to fully underwrite and take up all of the Offer Shares (other than the Offer Shares which have been agreed to be taken up by the Controlling Shareholder) not been taken up by the other Shareholders, which shall be not more than 214,133,600 Offer Shares.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The Open Offer, if successfully completed, will increase the existing issued share capital of the Company by more than 50% within the 12-month period immediately preceding the Latest Practicable Date. Accordingly, the Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rule 7.24(5) of the Listing Rules. The Controlling Shareholder, namely 中國天地行物流控股集團有限公司 (China Tian Di Xing Logistics Holdings Limited*) (a company which is owned as to 99.99% by Mr. Mung) which holds 132,933,200 Shares, representing approximately 55.39% of the existing share capital of the Company as at the Latest Practicable Date, and Mr. Mung, shall be required to abstain from voting at the EGM in respect of the resolution to approve the Open Offer pursuant to Rule 7.24(5) of the Listing Rules.

As at the Latest Practicable Date, the Board has 7 Directors, of whom Mr. Mung, Mr. Ha Wing Ho, Peter, Mr. Leong Chi Wai and Mr. Leung King Yue, Alex are executive Directors; Mr. Chee Man Sang, Eric, Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie are independent non-executive Directors.

The Independent Board Committee, comprising all of the said independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the Open Offer is in the interests of the Company and the Shareholders as a whole and whether the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned.

In our capacity as the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders, our role is to jointly provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to (i) whether the terms of the Open Offer are in the interests of the Company and Shareholders as a whole; (ii) whether the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Open Offer at the EGM.

BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our joint recommendation, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, are true, accurate and complete in all respects as at the time they were made and as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Company and/or the management of the Company. The Directors and/or the management of the Company have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable in all respects. We consider that we have reviewed all currently available information and documents which are available under the present circumstances and have performed all necessary steps as required under Rule 13.80 of the Listing Rules, including the notes thereto, 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 opinions. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

provided and representations made to us untrue, inaccurate or misleading. We have not, however, either jointly or severally, conducted any independent verification of the information nor have we, either jointly or severally, conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Company or any of its subsidiaries.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

Background information of the Company

The Company is an investment company listed under Chapter 21 of the Listing Rules and is principally engaged in investments in listed and unlisted companies in Hong Kong and the PRC. The following is a summary of the Company's financial information for each of the two years ended 31 December 2007 extracted from the Company's 2007 annual report.

	For the year ended	
	31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	14	38
Other income	25	195
Impairment loss recognised in respect of available-for-sale financial assets	–	(6,874)
Loss for the year attributable to the equity holders of the Company	(3,259)	(10,350)
Total equity	1,949	5,208
Net asset value per Share (based on 240,000,000 Shares in issue)	HK\$0.008	HK\$0.022

For the two financial years under review, the Group achieved minimal revenue and recorded losses and had negative cashflow from operating activities. As at 31 December 2007, the Group had cash at banks of approximately HK\$2.3 million (2006: approximately HK\$6.3 million), which would be too few for the Group to make any meaningful investments. For the purpose of maintaining a sufficient amount of funds for working capital and of enhancing and/or expanding the investment portfolio of the Group, it would be in the interests of the Company and its Shareholders to raise additional funds by various measures, which shall include the issue of new Shares.

Reasons for the Open Offer and the use of proceeds

As stated in the Letter, the Board considers that it is prudent to finance the Company's long-term growth by long-term funding, preferably in the form of equity as it will not increase the Company's finance costs. The Open Offer provides a good opportunity for the Group to strengthen its capital base

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

and to enhance its financial position. Furthermore, it allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company without being diluted. Taking these factors into account, we agree with the view of the Directors that it is in the interests of the Company and Shareholders as a whole to raise capital through the Open Offer.

Terms of the Open Offer

Basis of the Open Offer:	Two Offer Shares for every one existing Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date:	240,000,000 Shares
Subscription Price:	HK\$0.0695 per Offer Share payable in full on application
Number of Offer Shares to be issued:	480,000,000 Offer Shares
Number of Offer Shares undertaken to be taken up by the Controlling Shareholder	Pursuant to the Underwriting Agreement, the Controlling Shareholder has undertaken to subscribe for 265,866,400 Offer Shares to which the Controlling Shareholder is entitled pursuant to the Open Offer
Number of Offer Shares underwritten by the Underwriter pursuant to the Underwriting Agreement	The Underwriter has conditionally agreed to take up all the Offer Shares (other than the Offer Shares agreed to be taken up by the Controlling Shareholder) which have not been taken up, being not more than 214,133,600 Offer Shares. The Open Offer is fully underwritten.

The estimated net proceeds under the Open Offer are estimated to be approximately HK\$31.66 million. As stated in the Letter, the Company intends to use the proceeds for general working capital in accordance with the Company's business policy of investing in listed and unlisted companies in Hong Kong and the PRC.

Subscription Price

As stated in the Letter, the Subscription Price of HK\$0.0695 was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing Share prices and the recent financial conditions of the Group.

The Subscription Price represents:

- a discount of approximately 61.4% to the closing price of HK\$0.18 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a discount of approximately 61.4% to the average closing price of HK\$0.18 per Share for the five (5) consecutive trading days up to and including the Last Trading Date;

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

- a discount of approximately 61.4% to the average closing price of HK\$0.18 per Share for the ten (10) consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 34.6% to the theoretical ex-rights price of HK\$0.1063 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Date; and
- a premium of approximately 758% to the audited consolidated net tangible assets value per Share of approximately HK\$0.0081 (calculated by dividing the latest published audited net tangible assets value of the Group as at 31 December 2007 by the 240,000,000 Shares in issue as at the Latest Practicable Date).

To enhance the attractiveness of an open offer exercise and to encourage the existing shareholders to participate in an open offer, the subscription price of an open offer is normally set at a discount to the prevailing market prices of the relevant share. Hence, the fact that the Subscription Price is lower than the prevailing market prices of the Shares is in line with the general market practice with the reasons stated above and is acceptable. It should be noted that upon completion of the Open Offer, the pro-forma consolidated net tangible assets per Share will be approximately HK\$0.047, representing an increase of approximately 487% from the consolidated net tangible assets per Share of approximately HK\$0.008 prior to the Open Offer. Reference is made to the paragraph headed “Effect on net tangible assets” below for further details. Although the Subscription Price is set at a substantial premium to the audited consolidated net tangible assets value per Share of approximately HK\$0.0081, the Open Offer offers the Company a chance to raise funds in the market with terms which are favorable to Shareholders as the Open Offer is priced at a substantial discount to the market price of the Shares and all Shareholders have equal opportunity to subscribe for the Offer Shares in proportion to their shareholding in the Company. Taking into account the above, we consider that the Subscription Price is fair and reasonable.

Comparison with other open offers

To assist in assessing the reasonableness and fairness of the Open Offer, we have compared the terms of the Open Offer with the terms of all the other open offers that were undertaken by companies (“Other Open Offers”) that are listed on the Main Board of the Stock Exchange during the period commencing from 15 August 2007 up to and including 15 August 2008, being the date of the Underwriting Agreement (the “Comparables”). We consider that the Comparables will give a general indication of the range of terms of the open offer that are generally considered acceptable in the market of Hong Kong and will provide a good reference for assessing the fairness and reasonableness of the Open Offer. A summary of the terms of the Other Open Offers is set out below:

Date of announcement	Company name (Stock code)	Offer ratio	Subscription price (HK\$)	Closing price as at the last trading day before the date of announcement (HK\$)	Premium/ (Discount) I (Note 1) (%)	Premium/ (Discount) II (Note 2) (%)	Dilution (Note 3) (%)	Underwriting Commission (%)	Excess application
8 Aug 08	NewOcean Energy Holdings Limited (342)	1 for 1	0.30	0.440	(31.82)	(18.92)	50.00	0	Yes
7 Aug 08	Fortuna International Holdings Limited (530)	5 for 1	0.02	0.145	(86.21)	(51.22)	83.33	3	No

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Date of announcement	Company name (Stock code)	Offer ratio	Subscription price (HK\$)	Closing price as at the last trading day before the date of announcement (HK\$)	Premium/ (Discount) I (Note 1) (%)	Premium/ (Discount) II (Note 2) (%)	Dilution (Note 3) (%)	Underwriting Commission (%)	Excess application
18 Jul 08	Dynamic Global Holdings Limited (231)	1 for 1	0.12	0.154	(22.08)	(12.41)	50.00	0	Yes
20 Jun 08	Burwill Holdings Limited (24)	18 for 10	0.15	0.33	(54.54)	(29.91)	64.29	2.25	No
2 May 08	Starlite Holdings Limited (403)	1 for 5	0.35	0.52	(32.69)	(28.26)	16.67	0	Yes
24 Apr 08	China Best Group Holding Limited (370)	1 for 2	0.075	0.119	(36.97)	(27.88)	33.33	4.25	No
23 Apr 08	China Oil Resources Holdings Limited (850)	1 for 2	0.288	0.485	(40.62)	(31.32)	33.33	3.3	No
17 Jan 08	Prosperity Investment Holdings Limited (310)	1 for 2	1	1.85	(45.95)	(36.18)	33.33	1.5	No
30 Nov 07	COL Capital Limited (383)	1 for 1	4	6.55	(38.93)	(24.17)	50.00	0	No
21 Oct 07	Magician Industries (Holdings) Limited (526)	1 for 2	0.10	0.495	(79.79)	(72.45)	33.33	3	No
18 Oct 07	Riche Multi-Media Holdings Limited (764)	1 for 2	0.3	0.375	(20.00)	(14.29)	33.33	2.5	Yes
2 Oct 07	Tian An China Investments Company Limited (28)	1 for 5	6	9.5	(36.84)	(32.71)	16.67	2	No
28 Sep 07	Everest International Investments Limited (204)	2 for 1	1	1.2	(16.67)	(6.25)	66.67	0	Yes
28 Sep 07	Paliburg Holdings Limited (617)	7 for 20	0.21	0.31	(32.30)	(26.08)	25.93	Not Applicable	Yes
21 Sep 07	Sun Innovation Holdings Limited (547)	1 for 3	1.56	1.85	(15.68)	(12.24)	25.00	In the form of share options	No
5 Sep 07	Prime Investments Holdings Limited (721)	5 for 1	0.101	0.75	(86.53)	(51.71)	83.33	0	No
23 Aug 07	eCyber China Holdings Limited (254)	30 for 1	0.12	1.4	(91.43)	(25.60)	96.77	2	No

Source: the Stock Exchange web-site (www.hkex.com.hk)

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Notes:

1. The discount of the subscription price to the closing price per share on the last trading day prior to the announcements in relation to the respective open offers.
2. The discount of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to the announcements in relation to the respective open offers (the theoretical exrights price per share is calculated as (number of open offer shares x subscription price of the open offer + number of existing shares held x closing price per share on the last trading day prior to the announcement of the open offer)/ (number of open offer shares + number of existing shares held), e.g. for the Open Offer, the theoretical exrights per Share is calculated as $(2 \times \text{HK\$}0.0695 + 1 \times \text{HK\$}0.18)/3 = \text{HK\$}0.1063$).
3. Maximum dilution effect of each open offer and is calculated as $(1 - \text{number of existing shares held} / (\text{number of existing shares held} + \text{number of entitled open offer shares}))$, for example, in the case of an open offer which has the term of two offer shares for one existing issued share, the maximum dilution effect is calculated as $1 - 1/(1+2) = 66.67\%$.

Shareholders should be aware that pricing of an open offer may vary under different stock market conditions as well as among companies with different financial standings and business performance (including loss-making companies and profit-making companies). Nevertheless, we consider that a broader comparison of open offers announced recently would provide a more general reference for the reasonableness of the pricing of the Open Offer.

As can be sighted above, the subscription prices for the Comparables were all set at discounts to their respective closing price of the Shares on the last trading day prior to the release of the relevant announcements. These discounts ranged from approximately 15.68% to approximately 91.43% (the “Closing Price Range”), with an average of approximately 53.56%, to the closing price of the shares of the respective listed companies. The discount of the Subscription Price to the closing price per Share on the Last Trading Day of approximately 61.4% falls within the Closing Price Range but is at a slightly deeper discount than the average of the Closing Price Range.

The subscription price of the Comparables were all set at discounts to the theoretical ex-rights price on the last trading day prior to the announcement and ranged from approximately 6.25% to approximately 72.45% (the “Theoretical Price Range”) with an average of approximately 39.35%. The discount of the Subscription Price to the theoretical ex-rights price per Offer Share based on the closing price per Share on the Last Trading Day of approximately 34.6% also falls within the Theoretical Price Range and is at a slightly premium to the average of the Theoretical Price Range.

In general, it is a common market practice to price an open offer or a rights issue at a discount to the market price of the shares so as to encourage subscription by the shareholders. As for all open offers and rights issue cases, the interests of the qualifying shareholders will not be prejudiced by the relatively low subscription price so long as they are offered an equal opportunity to participate in the exercises. Having considered the subscription prices under the Comparables, we are of the view that the discount as represented by the Subscription Price to the average Closing Price Range is acceptable and generally at a level in line with the market. On this basis, we are of the view that the Subscription Price is fair and reasonable.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

From the table with the issue statistics of the Comparables as set out above, we note that the commissions of the respective underwriters ranged from 0% to 4.25%. We consider that the commission charged by the Underwriter of 2.5% is in line with the market practice and is fair and reasonable as far as the Independent Shareholders are concerned.

Pursuant to the terms of the Underwriting Agreement, no provision is stipulated for excess application arrangement of the Offer Shares, and it was in such basis that the Underwriter entered into the Underwriting Agreement. In this regard, the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their assured entitlements. Based on the Comparables, 11 of which did not offer a facility for excess application. We are of the view that the absence of excess application for open offer is not an uncommon market practice and the Company will also be able to save costs incurred from the administrative procedures for implementing the arrangement for excess application for the Open Offer. As a result, we consider that the absence of excess application under the Open Offer is fair and reasonable.

The Open Offer enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to do so and provides the Qualifying Shareholders with a fair and equal opportunity to share the future possible benefits that may be brought about from the expansion of the Group's business through future investments.

Alternative financing methods

Management of the Company advised that they have considered alternative financing methods such as bank borrowings, share placement and rights issue. However, management of the Company is of the view that taken into the existing financial position of the Group and its past operating performance, it will be difficult for the Group to secure any additional banking facilities or at all. Furthermore, there may be significant dilution effect to Shareholders if the Company is to raise an amount which is equivalent or similar to the amount raised under the Open Offer by means of taking into account of the aforesaid and the equal opportunity of all Shareholders to participate in the Open Offer, we concur with the Directors' view that the Open Offer is a better alternative to Shareholders than the other financing methods for strengthening the financial position of the Group for future growth and development and that the entering into of the Underwriting Agreement is in the usual and ordinary course of business of the Company and is in interest of the Company and its Shareholders as a whole.

Potential dilution effect on the shareholding interests of the Independent Shareholders

The attributable interest of the Qualifying Shareholders in terms of percentage shareholding in the Company who take up their entitlements in full under the Open Offer will remain unchanged upon completion of the Open Offer. Qualifying Shareholders who do not subscribe for their provisional entitlements under the Open Offer will have their shareholding interests diluted by a maximum of approximately 66.67%.

In order to assess the fairness and reasonableness of the dilution effect of the Open Offer on the shareholding interests of the Independent Shareholders, we have made comparisons with other open offers of the Comparables. From the Comparables as set out in paragraph headed "Comparisons with other open offers" above, we note that the dilutions of the Comparables ranged from approximately 16.67% to approximately 96.77%. The dilution of the Open Offer falls within the range of the dilutions of the Comparables.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

In view of the above and after taking into consideration the reasons and benefits of the Open Offer, together with the dilution of the Open Offers falls within the range of the dilutions of the Comparables, we consider that the potential dilution effect of the Open Offer is acceptable.

Financial effects of the Open Offer

(i) Effect on net tangible assets

The audited consolidated net tangible assets of the Group were approximately HK\$1,949,000 as at 31 December 2007. Based on 240,000,000 Shares in issue as at the Latest Practicable Date, the net tangible asset value of the Group per Share was approximately HK\$0.008. Upon completion of the Open Offer and on the assumption that 480,000,000 Offer Shares will be issued, the consolidated net tangible assets of the Group attributable to the Company's equity holders immediately after the Open Offer would increase to approximately HK\$33.609 million as a result of the estimated net proceeds from the Open Offer of approximately HK\$31.66 million. On the same basis, the unaudited pro forma adjusted consolidated net tangible assets per Share will become approximately HK\$0.047, representing an increase of approximately 487% from the consolidated net tangible assets per Share of approximately HK\$0.008 prior to the Open Offer.

(ii) Effect on gearing ratio and liquidity

The Group's gearing ratio (being total liabilities divided by total equity) was approximately 20.06% as at 31 December 2007. The Group's gearing ratio is expected to be reduced to approximately 1.16% as a result of the increase in the net tangible assets. In terms of the Group's liquidity position, the estimated net proceeds from the Open Offer of approximately HK\$31.66 million will significantly strengthen the working capital position of the Group and will enhance its capital base.

In light of the enhancement on the unaudited pro forma adjusted consolidated net tangible assets, working capital position of the Group and the lowering of the gearing level of the Group as a result of the Open Offer, we are of the view that the Open Offer would improve the financial position of the Company and is in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Taking into consideration of the above-mentioned principal factors and reasons, we consider that the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and that the Open Offer is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Open Offer.

Yours faithfully,
for and on behalf of
Hertford Capital Limited
Winnie Kong
Managing Director

Yours faithfully,
for and on behalf of
CMB International Capital Corporation Limited
Sunny Chan
Director

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following financial information (“**Financial Information**”) has been extracted from the audited Financial statements of the Group for each of the three years ended 31 December 2007 as set out in the relevant published annual reports of the Company.

The Company’s auditors, Grant Thornton, have issued qualified opinions for the year ended 31 December 2007 and for the year ended 31 December 2006. The reports of the Company’s auditors for each of the year ended 31 December 2007 and 31 December 2006 respectively have been extracted from the relevant published annual reports of the Company.

During the three years ended 31 December 2007, there was no extraordinary, exceptional item and minority interest applicable to the financial statements of the Group and no dividend had been declared or paid.

Consolidated Income Statement

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	<u>14</u>	<u>38</u>	<u>177</u>
Loss before taxation	(3,259)	(10,350)	(5,248)
Tax	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the year	<u>(3,259)</u>	<u>(10,350)</u>	<u>(5,248)</u>
Dividends	—	—	—
Profit (Loss) per share (HK\$)	<u>(0.01)</u>	<u>(0.05)</u>	<u>(0.04)</u>

Consolidated Balance Sheet

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets	–	64	10,953
Current assets	2,340	6,611	3,357
Total assets	2,340	6,675	14,310
Non-current liabilities	–	–	2,565
Current liabilities	391	1,467	1,261
Total liabilities	391	1,467	3,826
Net assets	1,949	5,208	10,484

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007



Member of Grant Thornton International Ltd.

To the members of Apex Capital Limited*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Apex Capital Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 23 to 63, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS OF QUALIFIED OPINION

The Group has an available-for-sale financial asset in an unlisted equity security, Tianjin Standard International Building Materials Industry Co., Ltd., for a total cost of HK\$17,461,000. As further detailed in note 16(i), the directors of the Company had made full impairment provision of this amount against the carrying value of this asset in previous years for the sake of prudence as they were unable to obtain any financial information relating to this entity. We have not been able to obtain the information we need from the Company, nor were there any satisfactory alternative procedures we could perform, in order to assess whether the amount of impairment provision and the carrying value of this asset at 31 December 2007 were fairly stated. Any adjustments to the carrying amount of this asset found to be necessary as at 31 December 2007 would have a consequential effect on the net assets of the Group at that date and the loss for the Group for the year then ended.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the carrying amount of the available-for-sale financial asset, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the carrying value of the available-for-sale financial asset, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Hong Kong, 24 April 2008

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton 
均富會計師行

To the members of Apex Capital Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Apex Capital Limited (the “Company”) set out on pages 19 to 53, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS OF QUALIFIED OPINION

As at 31 December 2005, the Group's balance sheet included an available-for-sale financial asset in an unlisted equity security ("Tianjin Standard") amounting to HK\$6,874,000. As further detailed in note 17(i), the directors have made full impairment provision of HK\$6,874,000 against this asset in the current year for the sake of prudence as they were unable to obtain any financial information relating to this entity in 2006. We have not been able to obtain the information we need from the Company, nor were there any satisfactory alternative procedures we could perform, in order to assess whether the amount of impairment provision and the carrying value of this asset at 31 December 2006 were fairly stated. Any adjustments to the carrying amount of this asset found to be necessary as at 31 December 2006 would have a consequential effect on the net assets of the Group at that date and the loss for the Group for the year then ended.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the carrying amount of the available-for-sale financial asset, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the carrying value of an available-for-sale financial asset, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

26 April 2007

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Set out below is the audited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the Group, and the balance sheet of the Company together with the notes to the financial statements of the Group as extracted from pages 23 to 63 of the annual report of the Company for the year ended 31 December 2007. The page numbers referred to in this section are the page numbers of the annual report of the Company for the year ended 31 December 2007.

Consolidated Income Statement

For the year ended 31 December 2007

		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	14	38
Other income	6	25	195
Administrative expenses		(3,183)	(4,028)
Other operating expenses		(115)	–
Impairment loss recognised in respect of available-for-sale financial assets	7	–	(6,874)
Finance costs	8	–	(144)
Gain on disposal of subsidiaries	27	–	463
Loss before income tax	9	(3,259)	(10,350)
Income tax expense	11	–	–
Loss for the year attributable to the equity holders of the Company	12	<u>(3,259)</u>	<u>(10,350)</u>
Loss per share	13		
Basic (HK\$)		<u>(0.01)</u>	<u>(0.05)</u>
Diluted (HK\$)		<u>N/A</u>	<u>N/A</u>

Consolidated Balance Sheet*As at 31 December 2007*

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	–	64
Available-for-sale financial assets	16	–	–
		–	64
Current assets			
Prepayment, deposits paid and other receivables	17	17	306
Financial assets at fair value through profit or loss	18	–	–
Cash at banks		2,323	6,305
		2,340	6,611
Current liabilities			
Other payables		391	1,186
Amounts due to directors	19	–	281
		391	1,467
Net current assets		1,949	5,144
Net assets		1,949	5,208
EQUITY			
Share capital	20	6,000	6,000
Reserves	22	(4,051)	(792)
Total equity		1,949	5,208
Net asset value per share (HK\$)	24	0.01	0.02

Balance Sheet*As at 31 December 2007*

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	–	64
Interests in subsidiaries	15	10	6,102
		<u>10</u>	<u>6,166</u>
Current assets			
Prepayment, deposits paid and other receivables	17	17	306
Financial assets at fair value through profit or loss	18	–	–
Cash at banks		2,321	101
		<u>2,338</u>	<u>407</u>
Current liabilities			
Other payables		391	1,174
Amount due to a subsidiary	19	91	–
Amounts due to directors	19	–	281
		<u>482</u>	<u>1,455</u>
Net current assets/(liabilities)		<u>1,856</u>	<u>(1,048)</u>
Net assets		<u><u>1,866</u></u>	<u><u>5,118</u></u>
EQUITY			
Share capital	20	6,000	6,000
Reserves	23	(4,134)	(882)
Total equity		<u><u>1,866</u></u>	<u><u>5,118</u></u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2007*

	Equity attributable to the equity holders of the Company			
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2006	4,000	109,115	(102,631)	10,484
Loss for the year (total recognised income and expense for the year)	–	–	(10,350)	(10,350)
Shares issued at premium (<i>note 20</i>)	2,000	3,600	–	5,600
Shares issue expenses	–	(526)	–	(526)
At 31 December 2006 and 1 January 2007	6,000	112,189	(112,981)	5,208
Loss for the year (total recognised income and expense for the year)	–	–	(3,259)	(3,259)
At 31 December 2007	<u>6,000</u>	<u>112,189</u>	<u>(116,240)</u>	<u>1,949</u>

Consolidated Cash Flow Statement*For the year ended 31 December 2007*

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cash flow from operating activities			
Loss before income tax		(3,259)	(10,350)
Adjustments for:			
Depreciation of property, plant and equipment		–	155
Interest expense		–	144
Property, plant and equipment written off		64	–
Gain on disposal of subsidiaries		–	(463)
Impairment loss recognised in respect of available-for-sale financial assets		–	6,874
Interest income		(14)	(21)
Other receivables written off		115	–
Other payables written back		(25)	–
Dividend income		–	(17)
Operating loss before working capital changes		(3,119)	(3,678)
Decrease in financial assets at fair value through profit or loss		–	3,096
Decrease in prepayment, deposits paid and other receivables		174	14
(Decrease)/Increase in other payables		(770)	615
Decrease in amounts due to directors		(281)	(219)
Cash used in operations		(3,996)	(172)
Interest paid		–	(144)
Net cash used in operating activities		(3,996)	(316)
Cash flow from investing activities			
Proceeds from disposal of subsidiaries, net of cash disposed	27(c)	–	(24)
Proceeds on assignment of a loan to a subsidiary	27(a)	–	1,570
Interest received		14	21
Dividend received		–	17
Net cash generated from investing activities		14	1,584
Cash flow from financing activities			
Net proceeds from issue of shares		–	5,074
Repayments of borrowings		–	(89)
Net cash generated from financing activities		–	4,985
Net (decrease)/increase in cash and cash equivalents		(3,982)	6,253
Cash and cash equivalents at 1 January		6,305	52
Cash and cash equivalents at 31 December		2,323	6,305

Notes to the Financial Statements*For the year ended 31 December 2007***1. GENERAL INFORMATION**

Apex Capital Limited (“the Company”) was incorporated in the Cayman Islands on 21 April 1998, as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”). The Company’s registered office is Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands and its principal place of business is 28th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The directors consider 中國天地行物流控股集團有限公司, a company incorporated in Hong Kong, to be the ultimate holding company.

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company’s subsidiaries are set out in note 15 to the financial statements. The Company and its subsidiaries (collectively referred to as “the Group”) principally invest in listed and unlisted companies in Hong Kong and in other parts of the People’s Republic of China, excluding Hong Kong (“the PRC”).

The consolidated financial statements set out on pages 23 to 63 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 24 April 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has adopted, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant to the Group and first effective for annual financial period beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of these new or amended HKFRSs did not result in significant changes to the accounting policies applied in the financial statements for the years presented but gave rise to additional disclosures as follows:

2.1 HKAS 1 (Amendment) – Capital Disclosures

HKAS 1 (Amendment) introduces additional disclosure requirements to provide information about the level of capital and the Group’s capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are set out in note 29.

2.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosure and has been adopted by the Group in its financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

- a sensitive analysis explained the Group's market risk exposure in regards to its financial instruments; and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. These new disclosures are set out in note 28. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net loss or balance sheet line items.

2.3 New and amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the results and financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statement ⁵
HKFRS 2 (Amendment)	Share-based Payment – Amendments relating to Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combinations ⁵
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 July 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost convention except for certain financial assets which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control, directly and indirectly, the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, interests in subsidiaries are carried at cost less any impairment loss. The carrying amount of the investment is reduced to its recoverable amount on individual basis. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	50%
Furniture, fixtures and equipment	20%

The assets' estimated useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

3.5 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as lessee

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the consolidated income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the consolidated income statement in the accounting period in which they are incurred.

3.6 Financial assets

The Group classifies its financial assets into the following categories: loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Financial assets may be classified at initial recognition as fair value through profit or loss if the following criteria met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in consolidated income statement.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity would be recognised in the consolidated income statement. Interest calculated using the effective interest rate method is recognised in the consolidated income statement. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

(iii) *Loans and receivables*

Loans and receivables, mainly comprise deposits paid and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Available-for-sale financial assets*

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the consolidated income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the consolidated income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the consolidated income statement. The subsequent increase in fair value is recognised directly in equity.

An impairment loss for available-for-sale equity investments stated at cost less impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

(ii) *Loans and receivables*

Loans and receivables are provided against when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

3.7 Impairment of assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recovered.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 – Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

3.8 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the consolidated income statement.

Deferred tax is calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks.

3.10 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from the share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

3.11 Retirement benefits costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries or the maximum mandatory contribution as required by the MPF Scheme and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.12 Financial liabilities

The Group’s financial liabilities include other payables and amounts due to a subsidiary and directors. Financial liabilities are recognised when, and only when the Group becomes a party to the contractual provisions of the instruments. All interest related charges are recognised as an expense in finance costs in the consolidated income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the consolidated income statement.

Other payables and amounts due to a subsidiary and directors are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3.13 Revenue recognition

Interest income is recognised on a time-proportion basis using the effective interest rate method.

Dividend income is recognised when the Group's right to receive payment is established.

3.14 Foreign currency translation

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK\$'000") unless otherwise stated. In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

3.15 Related parties

A party is considered to be related to the Group if:

- (i) the party directly, or indirectly through one or more intermediaries:
 - controls, is controlled by, or is under common control with, the Group;
 - has an interest in the Group that gives it significant influence over the Group; or
 - has joint control over the Group;
- (ii) the party is an associate of the Group;
- (iii) the party is a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family or any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3.16 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format.

In respect of geographical segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment and other receivables, and mainly exclude cash at banks. Segment liabilities comprise operating liabilities and exclude items such as amounts due to directors.

3.17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether an investment in available-for-sale financial assets is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Group will hold on to this investment.

5. SEGMENT INFORMATION

The Group makes investments in Hong Kong and in other parts of the PRC. These geographical markets are the basis on which the Group reports its primary segment information.

Segment information about these geographical markets is presented below:

	Hong Kong		PRC		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue – turnover	14	38	–	–	14	38
Segment results	(3,259)	(165)	–	(6,874)	(3,259)	(7,039)
Unallocated corporate expenses					–	(3,630)
Finance costs					–	(144)
Gain on disposal of subsidiaries	–	463	–	–	–	463
Loss before income tax					(3,259)	(10,350)
Income tax expense					–	–
Loss for the year					(3,259)	(10,350)
Assets						
Segment assets	17	370	–	–	17	370
Unallocated corporate assets					2,323	6,305
Total assets					2,340	6,675
Liabilities						
Segment liabilities	(391)	(1,186)	–	–	(391)	(1,186)
Unallocated corporate liabilities					–	(281)
Total liabilities					(391)	(1,467)
Other information						
Depreciation	–	155	–	–	–	155
Impairment loss recognised in respect of available-for-sale financial assets	–	–	–	6,874	–	6,874

All of the Group's turnover and contribution to operating results are attributable to its investment activities.

6. REVENUE AND OTHER INCOME

	2007 HK\$'000	2006 HK\$'000
Revenue:		
Interest income	14	21
Dividend income	–	17
	<u>14</u>	<u>38</u>
Other income:		
Other payables written back	25	–
Net fair value gain on financial assets at fair value through profit or loss	–	195
	<u>25</u>	<u>195</u>

7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007 HK\$'000	2006 HK\$'000
Unlisted equity security:		
Tianjin Standard International Building Materials Industry Co., Ltd. 天津標準國際建材工業有限公司 ("Tianjin Standard") (note 16(i))	–	6,874

8. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest charges on bank loan not wholly repayable within five years	–	144

9. LOSS BEFORE INCOME TAX

	2007 HK\$'000	2006 HK\$'000
Loss before income tax is arrived at after charging:		
Auditors' remuneration	200	244
Depreciation of property, plant and equipment	–	155
Property, plant and equipment written off	64	–
Investment management fees	600	600
Operating lease charges on office premises	76	219
Other receivables written off	115	–
Retirement benefits scheme contributions	33	36
Staff costs (including directors' remuneration (note 10) but excluding retirement benefits scheme contributions)	1,406	1,630

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Remuneration of the directors

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefits contributions HK\$'000	scheme Total HK\$'000
2007				
Executive directors				
Mr. Phang Yul Cher Yeow*	40	—	—	40
Mr. Chu Kin Wang, Peleus*	60	—	2	62
Ms. Huang Song*	20	—	2	22
Mr. Zhou Chao*	119	—	2	121
Mr. Mung Kin Keung [#]	100	—	5	105
Mr. Ha Wing Ho, Peter [#]	100	—	5	105
Mr. Leong Chi Wai [#]	100	—	5	105
Mr. Leung King Yue, Alex [#]	80	—	4	84
Non executive directors				
Mr. Fong Chi Hou*	10	—	—	10
Mr. Wang Yao Dong*	10	—	—	10
Independent non-executive directors				
Ms. Lam Lin Chu*	10	—	—	10
Mr. Liu Wing Ting, Stephen*	20	—	—	20
Ms. Tse Po Chu*	20	—	—	20
Mr. Chee Mang Sang, Eric [#]	50	—	—	50
Mr. Lo Tak Kin [#]	50	—	—	50
Ms. Yu Tin Yan, Winnie [#]	50	—	—	50
	<u>839</u>	<u>—</u>	<u>25</u>	<u>864</u>
2006				
Executive directors				
Mr. Phang Yul Cher Yeow*	240	—	—	240
Mr. Chu Kin Wang, Peleus*	360	—	12	372
Ms. Huang Song*	120	—	12	132
Mr. Zhou Chao*	480	—	12	492
Non executive directors				
Mr. Fong Chi Hou*	70	—	—	70
Mr. Wang Yao Dong*	60	—	—	60
Independent non-executive directors				
Ms. Lam Lin Chu*	60	—	—	60
Mr. Liu Wing Ting, Stephen*	120	—	—	120
Ms. Tse Po Chu*	120	—	—	120
	<u>1,630</u>	<u>—</u>	<u>36</u>	<u>1,666</u>

* Resigned on 9 March 2007.

Appointed on 9 March 2007.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: HK\$Nil).

No emolument was paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: HK\$Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included five (2006: five) directors whose emoluments are reflected in the analysis presented above.

11. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the financial statements as the Group had no estimated assessable profits arising in or derived from Hong Kong during the year (2006: HK\$Nil).

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before income tax	(3,259)	(10,350)
Tax at applicable rate of 17.5%	(570)	(1,811)
Tax effect of non-deductible expenses	61	1,280
Tax effect of non-taxable revenue	(3)	(88)
Tax effect of temporary difference not recognised	(42)	24
Tax losses not recognised as deferred tax asset	554	595
Income tax expense	—	—

At 31 December 2007, a deferred tax asset of approximately HK\$7,628,000 (2006: HK\$7,074,000) in respect of tax losses available to offset future profits was not recognised in the financial statements as it is not certain that the Group will generate future taxable profits to enable it to utilise such tax losses. This tax loss has no expiry date.

12. LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company of HK\$3,259,000 (2006: HK\$10,350,000), a loss of HK\$3,252,000 (2006: HK\$11,544,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the equity holders of the Company of HK\$3,259,000 (2006: HK\$10,350,000) and on the weighted average number of 240,000,000 (2006: 195,068,493) ordinary shares in issue during the year.

Diluted loss per share has not been presented as there were no dilutive potential shares for the years ended 31 December 2006 and 2007.

14. PROPERTY, PLANT AND EQUIPMENT

	The Group and the Company		
	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006			
Cost	302	20	322
Accumulated depreciation	(100)	(3)	(103)
Net book amount	202	17	219
Year ended 31 December 2006			
Opening net book amount	202	17	219
Depreciation	(151)	(4)	(155)
Closing net book amount	51	13	64
At 31 December 2006			
Cost	302	20	322
Accumulated depreciation	(251)	(7)	(258)
Net book amount	51	13	64
Year ended 31 December 2007			
Opening net book amount	51	13	64
Written off	(51)	(13)	(64)
Closing net book amount	–	–	–
At 31 December 2007			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Unlisted shares, at cost	10	10
Amounts due from subsidiaries	48,918	55,010
Less: Impairment loss	(48,918)	(48,918)
	10	6,102

The amounts due from subsidiaries are in the nature of current accounts and are unsecured, interest free and have no fixed terms of repayment.

Particulars of the Company's subsidiaries at 31 December 2007 are as follows:

Name	Place of incorporation/operations	Particulars of issued capital	Percentage of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Gold Canal International Limited	British Virgin Islands ("BVI")	10 ordinary shares of US\$1 each	–	100%	Investment holding
Mega Way International Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	–	Inactive
New Portfolio Limited	BVI	1 ordinary share of US\$1	100%	–	Investment holding
Speedy Zone Limited	BVI	1 ordinary share of US\$1	100%	–	Inactive

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Particulars of available-for-sale financial assets are as follows:

Name of investee company	Notes	Place of incorporation	Percentage interest held	Unlisted equity securities, at cost		Accumulated impairment losses		Carrying value	
				2007	2006	2007	2006	2007	2006
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tianjin Standard Koffman Asset Holdings Limited	(i)	PRC	21%	17,461	17,461	(17,461)	(17,461)	–	–
("Koffman Asset")	(ii)	BVI	9.1%	3,064	3,064	(3,064)	(3,064)	–	–
				<u>20,525</u>	<u>20,525</u>	<u>(20,525)</u>	<u>(20,525)</u>	<u>–</u>	<u>–</u>

- (i) Tianjin Standard is principally engaged in the manufacture and trading of building materials and the provision of related consultancy services. In the opinion of the directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Tianjin Standard as the Group has no representative in the board of directors of Tianjin Standard. Accordingly, Tianjin Standard has been accounted for as an available-for-sale financial asset.

In March 2007, there was a substantial change in the composition of the management and board of directors of the Company as a result of the changes in the major shareholders of the Company. In respect of the Tianjin Standard investment, the current board of directors (the "New Directors") have very little background information and knowledge, and have not met nor have they been able to contact the management of Tianjin Standard. The New Directors, despite their best efforts, were unable to obtain any financial information, including the unaudited management accounts of Tianjin Standard for years 2006 and 2007. In view of the above, and for the sake of prudence, the New Directors have made full impairment provision against the carrying value of this asset in December 2006 and 2007.

- (ii) Koffman Asset is a company principally involved in an insurance brokerage business which operated in Hong Kong. Koffman Asset was in financial difficulties and had ceased operations since 2004, and accordingly an impairment charge was made against the full investment cost in 2004.

17. PREPAYMENT, DEPOSITS PAID AND OTHER RECEIVABLES

	The Group and the Company	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayment	17	—
Deposits paid and other receivables	—	306
	<u>17</u>	<u>306</u>

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group subscribed for 3 ordinary shares of Rise Profits Holdings Limited (“Rise Profits”) of HK\$1 per ordinary share on 21 July 2005 which represented 30% unlisted equity shares in that company. Rise Profits is principally involved in the investment holding of a taxi and its license in Hong Kong. The Group acquired its interest in Rise Profits with a short-term outlook and with view to a trade sale of the taxi and the taxi license once an acceptable price had been offered. The taxi and its license were sold during the year ended 31 December 2006.

During the year ended 31 December 2007, the Group disposed of the equity interest held in Rise Profits at a consideration of HK\$3.

19. AMOUNTS DUE TO A SUBSIDIARY/DIRECTORS

The amounts due are in the nature of current accounts and are unsecured, interest-free and repayable on demand.

20. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.025 each at 31 December 2006 and 2007	<u>400,000,000</u>	<u>10,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.025 each at 1 January 2006	160,000,000	4,000
Issue of ordinary shares of HK\$0.025 each on 19 July 2006 (Note)	<u>80,000,000</u>	<u>2,000</u>
Ordinary shares of HK\$0.025 each at 31 December 2006 and 2007	<u>240,000,000</u>	<u>6,000</u>

Note: On 12 May 2006, the Company entered into an underwriting agreement for the open offer of 80,000,000 new shares at HK\$0.07 per share (“2006 Offer Share”) on the basis of one offer share for every 2 shares held on record date (“2006 Open Offer”). An ordinary resolution in respect of the 2006 Open Offer was passed at the extraordinary general meeting held on 26 June 2006. The 2006 Offer Shares rank pari passu in all respects with the existing share capital of the Company. The 2006 Open Offer was completed on 19 July 2006.

21. SHARE OPTION SCHEME

The Company has adopted a share option scheme (“the Scheme”) on 23 May 2002. The directors may, at their absolute discretion, make an offer to any participant to take up options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer being duly signed by the grantee and paying HK\$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 12,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted or to be granted to each participant under the Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders’ approval in general meeting with such participant and his associates abstaining from voting. The Scheme will remain in force for a period of 10 years from 23 May 2002.

No options have been granted since the adoption of the Scheme.

22. RESERVES-THE GROUP

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Share premium	112,189	112,189
Accumulated losses	(116,240)	(112,981)
	<u>(4,051)</u>	<u>(792)</u>

Movements in the Group’s reserves during the year are set out in the consolidated statement of changes in equity to the financial statements.

Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

23. RESERVES-THE COMPANY

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2006	109,115	(101,527)	7,588
Loss for the year	–	(11,544)	(11,544)
Shares issued at premium (<i>note 20</i>)	3,600	–	3,600
Share issue expenses	(526)	–	(526)
At 31 December 2006 and 1 January 2007	112,189	(113,071)	(882)
Loss for the year	–	(3,252)	(3,252)
At 31 December 2007	112,189	(116,323)	(4,134)

Details of the share premium account of the Company are set out in note 22 above.

24. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2007 of HK\$1,949,000 (2006: HK\$5,208,000) and the 240,000,000 (2006: 240,000,000) ordinary shares in issue.

25. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable by the Group and the Company as follows:

	The Group and the Company	
	2007 HK\$'000	2006 HK\$'000
Within one year	–	125
In the second to fifth years	–	–
	–	125

The Group leased a property under an operating lease in 2006. The leases ran for a period of two years. The lease did not include contingent rentals.

26. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following related party transactions during the year:

	2007 HK\$'000	2006 HK\$'000
Investment management fees to Hua Yu Investment Management Limited (“Hua Yu”)	600	600

- (a) On 12 May 2005, the Company entered into an investment management agreement (“the Agreement”) with Hua Yu for a period of 2 years, with effect from 20 May 2005. The Agreement was subsequently renewed on 18 April 2007 for a period of 1 year.

Investment management fees to Hua Yu is calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK\$150,000 per three months.

- (b) Key management personnel compensation

Details of key management compensation are set out in note 10 to the financial statements.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

- (a) In 2006, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group disposed of its entire equity interest in Summit Asset Holdings Limited (“Summit Asset”) and the entire loan to Summit Asset of approximately HK\$1,688,000 to the buyer at the considerations of approximately HK\$10 and HK\$1,688,000 respectively, of which HK\$118,000 had not been settled as at 31 December 2006 was settled in 2007.

- (b) Double Dragon Profits Limited and Good Place Investments Limited were de-registered on 22 December 2006 and 10 March 2006 respectively.

(c)	2006 <i>HK\$'000</i>
Net liabilities disposed of:	
Investment property	3,860
Prepayment, deposits paid and other receivables	7
Cash at bank	24
Amount due to a shareholder	(1,688)
Other payables	(69)
Bank borrowings	(2,597)
	<u>(463)</u>
Gain on disposal of subsidiaries	463
	<u>—</u>
Total consideration	<u>—</u>

An analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2006 <i>HK\$'000</i>
Satisfied by cash	—
Cash and bank balance disposed	(24)
	<u>(24)</u>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>(24)</u>

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating activities. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company ("the Board") meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including foreign currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk (including foreign currency risk, interest rate risk and other price risk), liquidity risk and credit risk are kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

As at the balance sheet date, the Group's financial instruments mainly consisted of cash at banks, deposits paid and other receivables, amounts due to directors and other payables.

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group has no interest bearing liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to risk resulting from changes in interest rates is not significant.

(ii) Foreign currency risk

The Group has no significant foreign currency risk due to limited foreign currency transactions as the Group mainly operates in Hong Kong with majority of the business transactions denominated and settled in HK\$.

(iii) Credit risk

Credit risk arises from the possibilities that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in the Group suffering financial loss. The carrying amounts of deposits paid and other receivables and cash at banks included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

All the Group's cash at banks are deposited with major banks located in Hong Kong. The Group has no other significant concentration of credit risk. No amounts in relation to deposits paid and other receivables are past due.

(iv) Liquidity risk

In the management of liquidity risk, the Board monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations. Based on the assessment of the directors, liquidity risk encountered by the Group is minimal.

The carrying amounts of the Group's financial assets and liabilities recognised at the balance sheet dates may also be categorised as follows. See notes 3.6 and 3.12 for explanations on how the category of financial instruments affects their subsequent measurement.

	2007			
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	More than one year but less than two years HK\$'000
Other payables	391	(391)	(391)	–
	<u>391</u>	<u>(391)</u>	<u>(391)</u>	<u>–</u>
	2006			
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	More than one year but less than two years HK\$'000
Other payables	1,186	(1,186)	(1,186)	–
Amounts due to directors	281	(281)	(281)	–
	<u>1,467</u>	<u>(1,467)</u>	<u>(1,467)</u>	<u>–</u>

(v) **Summary of financial assets and liabilities by category**

The carrying amounts of the Group's financial assets and liabilities recognised as at the balance sheet date may also be categorised as follows.

Financial assets:

	2007 HK\$'000	2006 HK\$'000
Cash at banks	2,323	6,305
Available-for-sale financial assets	–	–
Financial assets at fair value through profit or loss	–	–
Loans and receivables:		
Deposits paid and other receivables (note 17)	–	306
	<u>2,323</u>	<u>6,611</u>

Financial liabilities:

	2007 HK\$'000	2006 HK\$'000
Financial liabilities measured at amortised cost:		
– Other payables	391	1,186
– Amounts due to directors	–	281
	<u>391</u>	<u>1,467</u>

29. CAPITAL MANAGEMENT

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide adequate returns for shareholders in the long term and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group adjusts the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or process during the period. Management regards total equity presented on the face of the balance sheet as capital, for capital management purpose.

The Company is not subject to externally imposed capital requirements.

30. COMPARATIVES

Certain comparative figures have been reclassified to conform with the current year's presentation.

II. INDEBTEDNESS**(a) Borrowings**

As at 31 August 2008, the latest practicable date prior to the printing of this circular for the purpose of ascertaining information relating to the indebtedness of the Group, the Group had outstanding borrowings of HK\$nil.

(b) Contingent liabilities

As at 31 August 2008, the Group has no material contingent liabilities.

(c) Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 August 2008, the Group had no outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 December 2007, being the date to which the latest audited accounts of the Company were made up to.

III. WORKING CAPITAL

The Board, after due and careful enquiry, is of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's financial resources, including internally generated funds, available banking facilities and the estimated net proceeds of the Open Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

IV. MATERIAL CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date of which the latest audited financial statements of the Group were made up.

After 31 December 2007, being the date to which the latest published audited accounts of the Company were made up, no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Company.

I. UNAUDITED PRO FORMA NET TANGIBLE ASSETS OF THE GROUP

The following is the statement of the unaudited pro forma net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Open Offer as if it had taken place on 31 December 2007. The statement of the unaudited pro forma net tangible assets has been prepared solely for illustrative purposes only, and because of its nature, it may not give a true picture of the Group's financial position following the Open Offer.

This statement is prepared based on the audited net tangible assets of the Group as at 31 December 2007 as shown in the audited financial statements of the Group as at 31 December 2007, the text of which is set out in Appendix I to this Circular, after giving effect to the pro forma adjustments described in the notes thereto. A narrative description of the pro forma adjustments of the Open Offer that are (i) directly attributable to the transaction and not relating to future events or decisions; and (ii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma net tangible assets of the Group are prepared based on a number of assumptions, estimates and uncertainties. The accompanying unaudited pro forma net tangible assets of the Group do not purport to describe the actual financial position of the Group that would have been attained had the Open Offer been completed on 31 December 2007. The unaudited pro forma net tangible assets of the Group do not purport to predict the future financial position of the Group:

	Audited net tangible assets of the Group as at 31 December 2007 HK\$'000	Add: Estimated net proceeds from the Open Offer HK\$'000 (note 1)	Unaudited pro forma net tangible assets of the Group HK\$'000
	1,949	31,660	33,609
Unaudited pro forma net tangible assets of the Group per share immediately after completion of the Open Offer (note 2) (HK cents)			4.67

Notes :

- (1) The estimated net proceeds from the Open Offer are based on the Subscription Price of HK\$0.0695 per Offer Share and 480,000,000 shares being subscribed (given that 100% of the Offer Shares had been underwritten), and after deduction of the estimated related expenses of approximately HK\$1.7million in connection with the Open Offer.
- (2) The calculation of the unaudited pro forma net tangible assets of the Group per share immediately after completion of the Open Offer is based on the unaudited pro forma net tangible assets of the Group upon completion of the Open Offer of HK\$33,609,000 and 720,000,000 shares in issue upon the completion of the Open Offer (assuming the Open Offer had been completed on 31 December 2007). Given that 100% of the Offer Shares had been underwritten, the 720,000,000 shares in issue include all of the Offer Shares.

**II. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

The following is the text of an accountants' report dated 10 September 2008, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.



Member of Grant Thornton International Ltd.

10 September 2008

The Board of Directors
Apex Capital Limited
28th Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Dear Sirs

We report on the unaudited pro forma statement of net tangible assets ("Unaudited Pro Forma Financial Information") of Apex Capital Limited (the "Company") and its subsidiaries (collectively known as the "Group"), which has been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the proposed open offer (the "Open Offer") might have affected the financial information presented, for inclusion in Appendix II of the Company's circular dated 10 September 2008 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information of the Group is set out in the section under the heading of "Unaudited Pro Forma Financial Information of The Group" on page 67 of Appendix II to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information of the Group in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group had the Open Offer actually occurred on 31 December 2007 or at any future date.

Opinion

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained herein the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

(a) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date were, and (ii) immediately following completion of the Open Offer will be, as follows:

(i) As at the Latest Practicable Date

HK\$

Authorised share capital:

400,000,000 Shares	10,000,000.00
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Issued and fully paid share capital or credited as filly paid:

240,000,000 Shares	6,000,000.00
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(ii) Upon completion of the Open Offer

HK\$

Authorised share capital:

2,000,000,000 Shares	50,000,000.00
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Issued and fully paid share capital or credited as filly paid:

240,000,000 Shares in issue as at the Latest Practicable Date	6,000,000.00
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480,000,000 Offer Shares to be issued pursuant to the Open Offer	12,000,000.00
--	---------------

720,000,000 Shares in issue upon completion of the Open Offer	18,000,000.00
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All the issued existing Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital. All the new Shares which will be in issue upon completion of the Open Offer will rank pari passu in all respects with the existing Shares in issue including as regards to all rights as to dividends, voting and return of capital.

The issued Shares are listed on the Stock Exchange. There is no arrangement under which future dividends are/will be waived or agreed to be waived.

No share or loan capital of the Company or any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity	Class and number of Shares or underlying Shares (Note 1)	Approximate shareholding percentage (Note 2)
Mung Kin Keung (Note 3)	Corporate interest	132,933,200 Shares (L)	55.39%

Notes:

1. The letter "L" represents the Director's interest (long position) in the Shares.
2. The percentages shown are calculated based on 240,000,000 Shares in issue as at the Latest Practicable Date.
3. the shares were held by 中國天地行物流控股集團有限公司 (for identification purpose China Tian Di Xing Logistics Holdings Limited), a company in which Mr. Mung Kin Keung holds 99.99% equity interests.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short position 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 would have 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 are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Directors' interests in assets of the Company

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

(c) Directors' service agreements

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 Group within one year without payment of compensation (other than statutory compensation)).

(d) Other Director's interests

Pursuant to an investment management agreement entered into between the Company and Hua Yu Investment Management Limited ("Hua Yu") on 12 May 2005, the Company has appointed Hua Yu as its investment manager. Investment management fees to Hua Yu are calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK\$150,000 per three months. Hua Yu is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the investment management agreement constitutes a continuing connected transaction of the Company. The aggregate investment management fee paid/payable to Hua Yu for the financial year ended 31 December 2007 amounted to approximately HK\$600,000. Mr. Leong Chi Wai, an executive director of the Company, is also a substantial shareholder of Hua Yu.

Save as disclosed above, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the Shares and 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 and were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had an option in respect of such capital:

Name of entity	Capacity	Class and number of securities (Note 1)	Approximate shareholding percentage (Note 2)
中國天地行物流控股集團有限公司 (Note 3)	beneficial owner	132,933,200 Shares (L)	55.39%

Notes:

- The letter "L" represents the entity's interests (long position) in the shares.
 - The percentage figures shown are calculated based on 240,000,000 Shares in issue as at the Latest Practicable Date.
 - 中國天地行物流控股集團有限公司 (for identification purpose China Tian Di Xing Logistics Holdings Limited), a company in which Mr. Mung Kin Keung holds 99.99% equity interests.
- (b) Save as disclosed, as at the Latest Practicable Date, the Directors or chief executive of the Company are not aware of any other person (other than Directors or chief executive of the Company) who 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 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 and the amount of each of such persons' interest in such securities, together with particulars of any options in respect of such capital, if there are no such interests or short positions.

5. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT**(a) Name and address of the Directors**

Name	Address
Executive Director	
Mr. Mung Kin Keung (<i>Chairman</i>)	Flat A, 12/F., Block 1 Provident Centre, 21 Wharf Road, North Point, HK
Mr. Ha Wing Ho, Peter	Flat 55, Block 55 C, Bellevue Court, 41 Stubbs Road, HK
Mr. Leong Chi Wai	Flat F, 32/F, Tower 2, Park Towers, 1 King's Road, Causeway Bay, HK
Mr. Leung King Yue, Alex	Flat C, 6th Floor, Block 11, Chi Fu Fa Yuen, Hong Kong
Independent non-executive Directors	
Mr. Chee Man Sang, Eric	11G, Nam Tien Mansion, Tai Koo Shing Hong Kong
Mr. Lo Tak Kin	Room 3511, King Hei House, Tung Hei Court, Shaukeiwan, HK
Ms. Yu Tin Yan, Winnie	Flat E, 16/F., Block 3, Felicity Garden, Sai Wan Ho, HK

(b) Qualification of the Directors and senior management**Executive Director**

Mr. Mung Kin Keung (“Mr. Mung”), aged 47, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Mung holds a Master Degree in Business Administration from the Asia International Open University in Macau a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. In November 2007, Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years’ experience in areas of business management, strategic planning and development. Since 1995, he has invested 30% in Banana Leaf (Asia Pacific) Catering Group Company Limited, a private company operating catering business, which has more than 30 restaurants in 12 major cities in China, Philippines and Indonesia. He is also the controlling shareholder and director of Hong Kong Airlines Limited. The airline is designated to operate scheduled flights to cities in China, including Tianjin, Changsha, Guilin, Nanning, Kunming, Haikou, Xiamen and Qingdao.

Mr. Ha Wing Ho, Peter (“Mr. Ha”), aged 45, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Ha obtained LLB from the University of Wales in 1984 and PCLL from The University of Hong Kong in 1985. He is a partner of Messrs. Kok and Ha, Solicitors which was founded in 1989. He is also a director of Hong Kong Express Airways Limited.

Mr. Leong Chi Wai (“Mr. Leong”), aged 32, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Leong holds a Bachelor Degree in Business Administration from the University of Hong Kong and has 10 years’ experience in managing listed and unlisted direct investments, property investments and corporate finance activities. He was a senior manager of Yu Ming Investment Management Limited (“YMIM”), a licensed corporation permitted to engage in types 1, 4, 6, 9 regulated activities under the SFO. Mr. Leong is licensed under the SFO to carry out securities advisory, corporate finance advisory and asset management activities. Mr. Leong is also a substantial shareholder of Hua Yu Investment Management Limited (“Hua Yu”), the investment manager of the Company pursuant to an investment management agreement entered into between the Company and Hua Yu on 12 May 2005.

Mr. Leung King Yue, Alex (“Mr. Leung”), aged 30, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Leung holds a Bachelor Degree in Commerce specializing in Economics and Finance from the University of Melbourne in Australia and is a Chartered Financial Analyst of the United States of America. Mr. Leung started his career in investment banking with YMIM in 2000 focusing on private equity projects, corporate finance advisory, merger and acquisition transactions and listed equities. Mr. Leung then joined JK Capital Management Limited (formerly known as MYM Capital Limited), a then sister company of YMIM, in 2003 as a portfolio manager specializing in investments in global high yield fixed income securities and listed Chinese equities. He is licensed by the SFO to carry out securities advisory, corporate finance advisory and asset

management activities. He is currently a Responsible Officer of both JK Capital Management Limited and Asian Asset Management Limited. He is also a director of UBA Investment Limited, a listed company under Chapter 21 of the Listing Rules.

Independent non-executive Directors

Mr. Chee Man Sang, Eric (“Mr. Chee”), aged 46, has been appointed as an independent nonexecutive director of the Company with effect from 9 March 2007. Mr. Chee is a practising Certified Public Accountant in Hong Kong and a senior partner of Chan Chee Cheng & Co., a firm of certified public accountants. Mr. Chee holds a Bachelor Degree in Commerce (majoring in Accounting) from Birmingham University. He had worked in two international accounting firms in Canada and Hong Kong. Mr. Chee is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Chee was appointed as an independent non-executive director of Hop Fung Group Holdings Limited, a listed company in Hong Kong, on 4 September 2003.

Mr. Lo Tak Kin (“Mr. Lo”), aged 41, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Mr. Lo is a practising Certified Public Accountant in Hong Kong and an associate member of the Hong Kong Institute of Certified Public Accountants and also a fellow member of the Association of Chartered Certified Accountants. Mr. Lo is currently a director of M Square CPA Limited, Certified Public Accountants and has extensive experience in auditing, tax planning and finance.

Ms. Yu Tin Yan, Winnie (“Ms. Yu”), aged 33, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Ms. Yu was admitted as a Solicitor of the High Court of Hong Kong in 1999. Ms. Yu is currently an Associate of Messrs. Tony Kan & Co. Ms. Yu is also currently a Full Member and Director of the Association of Hong Kong Professionals Limited with which she serves as a Deputy General Secretary and Standing Committee Member.

6. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER

Registered Office	P.O. Box 309 Ugland House George Town, Grand Cayman Cayman Islands
Principal place of business in Hong Kong	28th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai Hong Kong
Authorised representatives	Mr. Ha Wing Ho, Peter Mr. Leong Chi Wai
Principal share registrar and transfer office in Cayman Islands	Butterfield Fund Services (Cayman) Limited Butterfield House, 68 Fort Street PO Box 705 George Town Grand Cayman Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Legal advisers to the Company as to Hong Kong law	Mason Ching & Associates 1803, 18th Floor World-Wide House 19 Des Voeux Road Central Hong Kong
Financial adviser to the Company	Upbest Securities Company Limited 2nd Floor, Wah Kit Commercial Centre 302 Des Voeux Road Central Hong Kong
Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders	Hertford 11th Floor, Hong Kong Trade Centre 161-167 Des Voeux Road Central Hong Kong CMB Units 1803-4, 18/F Bank of America Tower 12 Harcourt Road, Central Hong Kong

Auditors	Grant Thornton 13th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Principal banker	Hang Seng Bank Wanchai Branch 200 Hennesry Road Hong Kong SAR

7. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice, which is contained in this circular:

Hertford	a licensed corporation for Type 6 (advising on corporate finance) regulated activity under the SFO
CMB	a licensed corporation for Type 1 (dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thornton	certified public accountants

As at the Latest Practicable Date, none of Hertford, CMB and Grant Thornton had any interest, either director or indirect, in any assets which have been, since 31 December 2007, 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 or are proposed to be acquired or disposed of by or leased to any member of the Group for any shareholding in any number of the Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Hertford, CMB and Grant Thornton has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or reference to its respective name, in the form and context in which it respectively appears.

8. LITIGATION

As at the Latest Practicable Date, none of the member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

9. MATERIAL CONTRACTS

Save for the contracts set out below, there is no other material contract (not being contract entered into in the ordinary course of business) entered into by the Company within the two years immediately preceding the issue of this circular:

- (a) the Underwriting Agreement; and
- (b) the investment management agreement entered into between Hua Yu and the Company dated 12 May 2005. (Please refer to the section headed “Other Director’s interests” of this appendix for details)

10. GENERAL

- (a) The company secretary of the Company is Mr. Ma Man Pong. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. He has been appointed as the company secretary of the Company since 8 August 2007.
- (b) The qualified accountant of the Company is Mr. Ma Man Pong. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. He joined the Group on 8 August 2007.
- (c) The expenses in connection with the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK\$1.7 million and will be payable by the Company.
- (d) The English text of this document shall prevail over the Chinese text for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any Business Day at the principal place of business in Hong Kong of the Company at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) this circular;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for each of the two financial years ended 31 December 2007;
- (d) the report from Grant Thornton on the unaudited pro forma financial information of the Group, the text of which is set out on pages 68 to 70 of this circular;

- (e) the letter from the Independent Board Committee, the text of which is set out on page 23 of this circular;
- (f) the letter from the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 24 to 32 of this circular;
- (g) the written consents referred to under the paragraph headed “Experts” in this appendix; and
- (h) the material contracts referred to under the paragraph headed “Material Contracts” in this appendix.

APPENDIX IV PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME

This Appendix summaries the principal terms of the New Share Option Scheme but does not form part of, nor is it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to EGM 2 to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict in any material aspects with the summary in this Appendix.

The following is a summary of the principal terms of the New Share Option Scheme which is proposed to be adopted by the Company as a share incentive scheme for the Company at EGM 2:

(a) Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

(b) Administration of the New Share Option Scheme

The New Share Option Scheme shall be subject to the administration of the Board, and the decision of the Board shall be final and binding on all parties. The Board shall have the right to (i) interpret and construe the provisions of the New Share Option Scheme, (ii) determine the persons who will be offered options under the New Share Option Scheme, and the number of Shares and subscription price of the options, (iii) to make such appropriate and equitable adjustments to the terms of options granted under the New Share Option Scheme as it deems necessary, and (iv) make such other decisions or determinations as it shall deem appropriate in relation to the grant of options and/or the administration of the New Share Option Scheme. The interpretation of the New Share Option Scheme by the Board must be in accordance with Chapter 17 of the Listing Rules and any interpretation of the New Share Option Scheme if it amounts to alteration thereof referred to in paragraph (w) below must comply with the requirements referred to in paragraph (w) below.

(c) Who may join

The Board may at any time within ten years after the adoption date of the New Share Option Scheme make an offer to any Participant, as the Board may in its absolute discretion select, to take up an option pursuant to which such Participant may, during the period of the option, subscribe for such number of Shares as the Board may determine at a subscription price determined in accordance with (d) below. A Date of Grant of option shall be a business day.

(d) Price of Shares

The subscription price shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer but shall be no less than the highest of:

- (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant;

APPENDIX IV PRINCIPAL TERMS OF NEW SHARE OPTION SCHEME

- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the Date of Grant; and
 - (iii) the nominal value of a Share on the Date of Grant.
- (e) **Maximum number of Shares**
- (i) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time (“Scheme Limit”).
 - (ii) The Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and other share option schemes of the Company shall not exceed 10% of the Shares in issue upon adoption of the New Share Option Scheme (the “Scheme Mandate Limit”). Options lapsed in accordance with the terms of the New Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.
 - (iii) The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders’ approval. However, the Scheme Mandate Limit as renewed shall not exceed 10% of the Shares in issue as at the date of the aforesaid shareholders’ approval. Options previously granted under the New Share Option Scheme, and other share option schemes (including those outstanding, lapsed in accordance with the schemes or exercised options) shall not be counted for the purpose of calculating the limit as renewed. A circular must be sent to shareholders in connection with the meeting at which their approval will be sought.
 - (iv) The Company may also seek separate shareholders’ approval for granting options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before the aforesaid shareholders’ meeting where such approval is sought. A circular must be sent to shareholders containing a generic description of the identified Participants, the number and terms of the options to be granted, the purpose of granting options to the identified Participants, and how these options serve such purpose.
 - (v) The total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each Participant or Grantee (as the case may be) (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue (the “Individual Limit”). Any further grant of options in excess of the Individual Limit shall be subject to shareholders’ approval with such Participant or Grantee (as the case may be) and his associates (as such term is defined in the Listing Rules) abstaining from voting. A circular must be sent to the shareholders disclosing the identity of the Participant or Grantee (as the case may be) and the number and terms of the options granted and to be granted. The number and terms of options to be granted to such Participants or Grantee, as the case may be, shall be fixed before shareholders’ approval is sought and the date of the board meeting for proposing such further grant shall be taken as the Date of Grant of an option for the purpose of calculating the subscription price.

(f) Grant of options to connected persons

The grant of options to any Director, chief executive or substantial shareholder of the Company or their respective associates shall be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the proposed Grantee of the option). Where any grant of options to a Director, chief executive, substantial shareholder (as that term is defined in the Listing Rules), or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue for the time being; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such grant of options shall be approved by the Shareholders (voting by way of poll). All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(g) Time of exercise of option

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each Grantee but may not be exercised after the expiry of ten years from the Date of Grant. The Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(h) Rights personal to Grantee

An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any option.

(i) Rights on cessation of employment by death

If the Grantee who is an employee or executive director (but not a non-executive director) of the Group, dies before exercising the option in full and none of the events which would be a ground for termination of his or her employment under (k) below then exists, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death, failing which the option will lapse.

(j) Rights on cessation of employment for other reasons

If the Grantee who is an employee or director, ceases to be an employee or executive director (but not a non-executive director) of the Group for any reason other than on his or her death or the termination of his/her employment or directorship on one or more of the grounds specified in (k) below, the option shall lapse on the date of cessation of such employment or directorship and not be exercisable unless the Board otherwise determines in which event the option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment or directorship shall be the last actual working day on which the Grantee was physically at work with the Company or the relevant Subsidiary, whether salary is paid in lieu of notice or not.

(k) Rights on cessation of employment by dismissal

If a Grantee who is an employee or executive director (but not a non-executive director), ceases to be an employee or executive director (but not a non-executive director) of the Group by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily, his or her option will lapse and not be exercisable on the date of termination of his or her employment or directorship.

(l) Cancellation of options

Any option granted but not exercised may be cancelled if the Grantee so agrees. If such cancellation has been approved by the Shareholders in a general meeting, options may be re-issued after such cancellation, provided that there are available unissued options within the limits mentioned in paragraph (e) above and the re-issued options shall only be granted in compliance with the terms of the New Share Option Scheme. The relevant Grantees and their respective associates shall abstain from voting at any such Shareholders' meeting to approve the cancellation and any vote taken at the general meeting for approving such cancellation shall be taken by poll. If cancellation takes place without Shareholders' approval, such options may not be re-issued.

(m) Effects of alterations to share capital

- (i) In the event of any alteration in the capital structure of the Company whilst any option remains exercisable or the New Share Option Scheme remains in effect, and such event arises from a capitalization of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company, then, in any such case the Company shall instruct the Auditors or independent financial adviser to the Company to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

- (aa) the number or nominal amount of Shares subject to option(s) already granted and to the New Share Option Scheme (insofar as it is/they are unexercised); and/or

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(bb) the subscription price of any option(s),

and an adjustment as so certified by the Auditors or the independent financial adviser to the Company shall be made, provided that:

- (i) the Auditor or financial adviser shall confirm to the Directors in writing that the adjustment (other than any made on a capitalisation issue) satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules;
 - (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
 - (iii) such adjustment must give a Participant the same proportion of the equity capital of the Company as that to which that person was previously entitled; and
 - (iv) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment.
- (ii) If there has been any alteration in the capital structure of the Company as referred to in paragraph (i) above, the Company shall, upon receipt of a notice from a Grantee, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the Auditors or the independent financial adviser to the Company obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditors or the independent financial adviser to the Company as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph (i) above.

(n) Rights on a general offer

In the event of a general offer by way of takeover (other than by way of scheme of arrangement) being made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option either to its full extent or to the extent notified by the Company at any time within such period as shall be notified by the Company.

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the option either to its full extent or to the extent notified by the Company.

(o) Rights on voluntary winding-up

In the event a notice is given by the Company to its shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(p) Rights on compromise or arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement in connection with a general offer mentioned in paragraph (n) above, between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall first give notice to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by the Company exercise the option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(q) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of the Company. Prior to the Grantee being registered on the register of members of the Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions of any rights arising on a liquidation of the Company, in respect of the Shares to be issued upon the exercise of the option.

The Shares issued on exercise of the options will on issue be identical to the then existing issued Shares of the Company.

(r) Amount payable on acceptance

The amount payable on acceptance of an option is HK\$1.00 or such other amount as decided by the Board. The offer of the option shall be accepted by the Participants within 7 days or such other period as the Board may decide from the date of the offer, otherwise the offer shall deem to have been irrevocably declined.

(s) Minimum period or performance target

Subject to any terms specifically imposed by the Board, there is no minimum period for which an option must be held before it can be exercised and no performance target which must be achieved before the options can be exercised.

(t) Period of the New Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption, being the date on which the New Share Option Scheme becomes unconditional and effective. After the expiry of the ten-year period, no further options will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in force and effect in respect of options granted under the New Share Option Scheme but not yet exercised at the time of its termination. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the New Share Option Scheme and which remain unexpired immediately prior to the end of the ten-year period shall continue to be exercisable thereafter.

(u) Termination of the New Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further options will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect in respect of options granted under the New Share Option Scheme but not yet exercised at the time of its termination. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the New Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme shall continue to be exercisable thereafter.

(v) Lapse of option

An option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of the periods referred to in paragraph (i), (j) or (o) respectively;
- (iii) subject to any court of competent jurisdiction not making an order the effect of which is to prohibit the offeror from acquiring the remaining shares in the general offer, the expiry of the period referred to in paragraph (n) above;
- (iv) subject to the scheme of arrangement referred to in paragraph (n) or paragraph (p) above becoming effective, the expiry of the period for exercising an option relating thereto;
- (v) the date on which the Grantee who is an employee (including an executive director but excluding a non-executive director) ceases to be an employee or director by reason of the termination of his or her employment or directorship on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- (vi) the date of the commencement of the winding-up of the Company; or

- (vii) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to the option in breach of the New Share Option Scheme.

(w) Alterations to the New Share Option Scheme

The alteration of the New Share Option Scheme are governed by Chapter 17 of the Listing Rules and the New Share Option Scheme cannot be altered to the advantage of Grantees or prospective Grantees of options except with the prior sanction of an ordinary resolution of the Company in general meeting with Participants and their associates abstaining from voting. Furthermore, the provisions in the New Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules must not be altered except with the prior approval of the Shareholders in general meeting. Any alteration to the terms and conditions of the New Share Option Scheme which are of a material nature or any change in the terms of options granted or any change to the authority of the Board must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. Any amended terms of the New Share Option Scheme or the options under such scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

NOTICE OF EGM



APEX CAPITAL LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 905)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of Apex Capital Limited ("**Company**") will be held at 10:00 a.m. on Monday, 13 October 2008 at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **"THAT** subject to and conditional upon: (i) the passing of ordinary resolution numbered 2 as set out in the notice convening this meeting; (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Offer Shares (as defined below) (in fully-paid form) and (iii) the obligations of the Underwriter under the Underwriting Agreement (as defined in the Circular) becoming unconditional and not being terminated in accordance with the terms of that agreement:
 - (a) the Underwriting Agreement and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
 - (b) the issue by way of open offer ("**Open Offer**") of 480,000,000 shares of HK\$0.025 each in the share capital of the Company ("**Offer Shares**") to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company at 4:00 p.m. on 13 October 2008 in the proportion of two Offer Shares for every one existing share of HK\$0.025 each of the Company then held at the subscription price of HK\$0.0695 per Offer Share and otherwise on the terms and conditions set out in a circular dated 10 September 2008 ("**Circular**", a copy of which has been produced to this meeting marked "A" and signed by the chairman of this meeting for the purpose of identification) be and is hereby approved;
 - (c) the directors of the Company ("**Directors**") be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer provided that in the case of Shareholders whose addresses as shown on the register of members of the Company at 4:00 p.m. on 13 October 2008 are in any place outside Hong Kong and the Directors, based on the enquiry made by the Company, consider it necessary or expedient not to offer the Offer Shares to such Shareholders ("**Prohibited Shareholders**") on account of either legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Offer Shares shall not be issued to the Prohibited Shareholders but shall form part of the Offer Shares underwritten by the Underwriter pursuant to the Underwriting Agreement;

NOTICE OF EGM

- (d) the Directors be and are hereby authorised to make such other exclusions or other arrangements in relation to the Prohibited Shareholders as they may deem necessary or expedient and generally to do such things or make such arrangements as they may think fit to effect the Open Offer; and
 - (e) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Open Offer and the Underwriting Agreement or any of the transactions contemplated thereunder.”
2. (a) “**THAT** the authorized share capital of the Company be increased from HK\$10,000,000 divided into 400,000,000 Shares of HK\$0.025 each to HK\$50,000,000 divided into 2,000,000,000 Shares of HK\$0.025 each by creating an additional 1,600,000,000 unissued Shares of HK\$0.025 each.
- (b) any one or more of the Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the proposed increase in authorised share capital of the Company.”

SPECIAL RESOLUTION

3. “**THAT** subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands, the English name of the Company be and is hereby changed from “Apex Capital Limited” to “Mastermind Capital Limited” and the Chinese name of “慧德投資有限公司” be and is hereby adopted in place of “鼎洋投資有限公司” for identification purpose only with effect from the date of entry of the new name on the register maintained by the Registrar of Companies in the Cayman Islands, and the directors of the Company be and are hereby authorised to do all such acts, deeds and things and execute all documents they consider necessary or expedient to give effect to the aforesaid change of name of the Company.”

By order of the board of directors of
APEX CAPITAL LIMITED
Mung Kin Keung
Chairman

Hong Kong, 10 September 2008

*Head office and principal place of business
in Hong Kong:*
28/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Registered Office:
PO Box 309
Ugland House
George Town, Grand Cayman
Cayman Islands

NOTICE OF EGM

Notes:

1. Every shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a shareholder of the Company.
2. Where there are joint holders of any share, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the Meeting should it/he/she so desire.

As at the date hereof, the board of directors comprises Mr. Mung Kin Keung, Mr. Ha Wing Ho, Peter, Mr. Leong Chi Wai and Mr. Leung King Yue, Alex as executive directors; Mr. Chee Man Sang, Eric, Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie as independent non-executive directors.

NOTICE OF EGM 2



APEX CAPITAL LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 905)

NOTICE OF EXTRAORDINARY GENERAL MEETING NO. 2

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**Meeting**”) of Apex Capital Limited (“**Company**”) will be held at 10:00 a.m. on Monday, 15 December 2008 at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

“THAT:

- (a) subject to the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the shares (“**Shares**”) in the capital of the Company with a par value of HK\$0.025 each to be issued and allotted by the Company under the proposed share option scheme of the Company (the “**Scheme**”), the rules of which are set out in a document submitted to the meeting marked “A” and signed for the purpose of identification by the Chairman, such Scheme be and is hereby approved and adopted as the Company’s share option scheme and the directors of the Company (“**Directors**”) be and are hereby authorised to take all such steps as they may deem necessary, desirable or expedient to carry into effect, waive or amend the Scheme subject to the terms of the Scheme and Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);
- (b) the Directors be and are hereby authorised to grant options to subscribe for Shares in accordance with the rules of the Scheme up to a maximum of 10% of the Shares in issue as at the date of passing of this resolution, to issue and allot Shares pursuant to the exercise of the options so granted, to administer the Scheme in accordance with its terms and to take all necessary actions incidental thereto as the Directors deem fit; and
- (c) conditional upon the Scheme becoming unconditional, the existing share option scheme of the Company which was adopted by the Company on 23 May 2002 be terminated with effect from the date on which such resolution shall become unconditional.”

By order of the board of directors of

APEX CAPITAL LIMITED

Mung Kin Keung

Chairman

Hong Kong, 10 September 2008

NOTICE OF EGM 2

Head office and principal place of business
in Hong Kong:
28/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Registered Office:
PO Box 309
Ugland House
George Town, Grand Cayman
Cayman Islands

Notes:

1. Every shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a shareholder of the Company.
2. Where there are joint holders of any share, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the Meeting should it/he/she so desire.

As at the date hereof, the board of directors comprises Mr. Mung Kin Keung, Mr. Ha Wing Ho, Peter, Mr. Leong Chi Wai and Mr. Leung King Yue, Alex as executive directors; Mr. Chee Man Sang, Eric, Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie as independent non-executive directors.