THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in Goodwill Investment (Holdings) Limited, you should at once hand this circular to the purchaser or to the banker, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

This circular does not constitute an offer, nor is it calculated to invite offers, for shares or other securities of Goodwill Investment (Holdings) Limited.

GOODWILL INVESTMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with Limited Liability)

ACQUISITION OF e2-CAPITAL LIMITED (MAJOR AND CONNECTED TRANSACTION)

GRANTING OF OPTION TO GOODWILL INTERNATIONAL (HOLDINGS) LIMITED TO ACQUIRE AN INTEREST IN BOXMORE LIMITED (CONNECTED TRANSACTION)

ACQUISITION OF INTEREST IN PACIFIC CONNECTIONS LIMITED (SHARE TRANSACTION)

ACQUISITION OF INTEREST IN GOODWILL FINANCIAL SERVICES (HOLDINGS) LIMITED (SHARE TRANSACTION)

ACQUISITION OF KEITH STATHAM ASSOCIATES LIMITED

PLACING OF NEW SHARES

CHANGE OF NAME OF THE COMPANY

INCREASE IN AUTHORISED SHARE CAPITAL

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Financial Adviser to

GOODWILL INVESTMENT (HOLDINGS) LIMITED

JardineFleming

JARDINE FLEMING SECURITIES LIMITED

Financial Advisor to the Independent Board Committee of

GOODWILL INVESTMENT (HOLDINGS) LIMITED

DBS ASIA CAPITAL LIMITED

A letter from the Chairman is set out on pages 6 to 25 of this circular. A letter from the Independent Board Committee of Goodwill Investment (Holdings) Limited containing its recommendations in respect of the connected transactions is set out on pages 26 to 27 of this circular. A letter from DBS Asia Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee of Goodwill Investment (Holdings) Limited is set out on pages 28 to 33 of this circular.

A notice convening a special general meeting of Goodwill Investment (Holdings) Limited to be held at The Hong Kong Bankers Club, 43rd-44th Floor, Gloucester Tower, The Landmark, Hong Kong at 10:30 a.m. on Monday, 17th April, 2000 is set out on pages 93 to 97 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business in Hong Kong of Goodwill Investment (Holdings) Limited at 20th Floor, Henley Building, 5 Queen's Road Central, Hong Kong and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

25th March, 2000

CONTENTS

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

"Acquisition Agreements"	e2-Capital Acquisition Agreement, PCL Acquisition Agreement, KSA Acquisition Agreement and GFS Acquisition Agreement
"Acquisitions"	e2-Capital Acquisition, PCL Acquisition, KSA Acquisition and GFS Acquisition
"Announcement"	the press announcement dated 26th February, 2000 in connection with the Proposal
"Associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Boxmore"	Boxmore Limited, a company incorporated in the British Virgin Islands with limited liability
"Boxmore Option"	the granting of an option by Goodwill International (BVI) and Crebox to Goodwill International to acquire up to an 88% interest in Boxmore
"CDC"	China.com Corporation, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on NASDAQ
"Chesterton Petty"	Chesterton Petty Ltd., a firm of professional surveyors and valuers
"Company"	Goodwill Investment (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
"Crebox"	Crebox Limited, a company incorporated in the British Virgin Islands with limited liability
"DBS"	DBS Asia Capital Limited, an investment adviser registered under the Securities Ordinance (Cap. 333 of Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee
"ECI"	e2-Capital Inc., a company incorporated in September 1999 in the British Virgin Islands with limited liability
"e2-Capital"	e2-Capital Limited, a company incorporated in September 1999 in Hong Kong with limited liability which is a direct wholly-owned subsidiary of ECI
"e2-Capital Acquisition"	proposed acquisition of the entire issued share capital of e2-Capital by the Company pursuant to the e2-Capital Acquisition Agreement

"e2-Capital Acquisition Agreement"	sale and purchase agreement dated 26th February, 2000 among ECI, Wong Sin Just, Tam Yuk Ching, Jenny and the Company relating to the e2-Capital Acquisition
"e2-Capital Consideration Shares"	290,000,000 new Shares to be issued and allotted by the Company to ECI upon completion of the e2-Capital Acquisition
"e2-Capital Shares"	4,800,000 ordinary shares of HK$1.00 each in the share capital of e2-Capital to be acquired by the Company pursuant to the e2-Capital Acquisition Agreement
"Enlarged Group"	the Company, its existing subsidiaries and e2-Capital
"General Mandates"	the Repurchase Mandate and the New Issue Mandate
"GFS"	Goodwill Financial Services (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability
"GFS Acquisition"	proposed acquisition of 60% of the issued share capital of GFS by Goodwill Investment (BVI), a wholly-owned subsidiary of the Company
"GFS Acquisition Agreement"	sale and purchase agreement dated 17th March, 2000 among JF (B.V.I.) Investment, Great Mark Investments, JF Holdings, SHKP, Goodwill Investment (BVI) and the Company relating to the GFS Acquisition
"GFS Consideration Shares"	23,750,000 new Shares to be issued and allotted by the Company to JF (B.V.I.) Investment and Great Mark Investments upon completion of the GFS Acquisition
"GFS Shares"	60 shares of HK$1.00 each in the share capital of GFS to be acquired by Goodwill Investment (BVI) pursuant to the GFS Acquisition Agreement
"Goodwill International"	Goodwill International (Holdings) Limited, a company incorporated in Hong Kong with limited liability
"Goodwill International (BVI)"	Goodwill International (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability
"Goodwill Investment (BVI)"	Goodwill Investment (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability
"Great Mark Investments"	Great Mark Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency in Hong Kong

"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	independent board committee of the board of directors of the Company
"Independent Shareholders"	holders of Shares other than Goodwill International and Fung Ka Pun
"Jardine Fleming"	Jardine Fleming Securities Limited, an investment adviser registered under the Securities Ordinance (Cap. 333 of Laws of Hong Kong)
"JF (B.V.I.) Investment	Jardine Fleming (B.V.I.) Investment Limited, a company incorporated in the British Virgin Islands with limited liability
"JF Holdings"	Jardine Fleming Holdings Limited, a company incorporated in Hong Kong with limited liability
"KSA"	Keith Statham Associates Limited, a company incorporated in January 1987 in Hong Kong with limited liability
"KSA Acquisition"	proposed acquisition of the entire issued share capital of KSA by the Company pursuant to the KSA Acquisition Agreement
"KSA Acquisition Agreement"	sale and purchase agreement dated 26th February, 2000 among the KSA Vendors and the Company relating to the KSA Acquisition
"KSA Shares"	50,000 ordinary shares of HK$1.00 each in the share capital of KSA to be acquired by the Company pursuant to the KSA Acquisition Agreement
"KSA Vendors"	Keith Arthur Statham, Chan Nim Wo, Anthony Nedderman and Siu Wan Tak, Lisa
"Latest Practicable Date"	21st March, 2000 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOU"	the non-legally binding memorandum of understanding dated 26th February, 2000 among JF (B.V.I.) Investment, Great Mark Investments, Goodwill Investment (BVI) and the Company relating to the GFS Acquisition
"New Issue Mandate"	the general and unconditional mandate proposed to be granted to the directors of the Company at the Special General Meeting to allot, issue and otherwise deal with new Shares

"PCL"	Pacific Connections Limited, a company incorporated in December 1996 in Hong Kong with limited liability, which is a wholly-owned subsidiary of CDC
"PCL Acquisition"	proposed acquisition of approximately 20% of the issued share capital of PCL by the Company pursuant to the PCL Acquisition Agreement
"PCL Acquisition Agreement"	sale and purchase agreement dated 26th February, 2000 between CDC and the Company relating to the PCL Acquisition
"PCL Consideration Shares"	29,170,000 new Shares to be issued and allotted by the Company to CDC upon completion of the PCL Acquisition
"PCL Shares"	1,046,977,490 ordinary shares of HK$0.001 each in the share capital of PCL to be acquired by the Company pursuant to the PCL Acquisition Agreement
"Placing Shares"	up to 230,000,000 new Shares to be issued and allotted by the Company at an issue price of HK$1.20 per Share pursuant to the Share Placing
"PRC"	People's Republic of China
"Proposal"	the Acquisitions, the granting of the Boxmore Option and the Share Placing
"Repurchase Mandate"	the general and unconditional mandate proposed to be granted to the directors of the Company at the Special General Meeting to exercise all the powers of the Company to repurchase Shares
"SFC"	Securities and Futures Commission
"SHKP"	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Share(s)"	share(s) of US$0.10 each in the share capital of the Company
"Share Placing"	the placing of up to 230,000,000 new Shares on a best-efforts basis under the Share Placing Agreement
"Share Placing Agreement"	the placing agreement dated 26th February, 2000 entered into between the Company and Jardine Fleming relating to the Share Placing
"Shareholder(s)"	the holder(s) of the Share(s)

"Special General Meeting"	the special general meeting of the Company to be held at The Hong Kong Bankers Club, 43rd-44th Floor, Gloucester Tower, The Landmark, Hong Kong at 10:30 a.m. on Monday, 17th April, 2000, the notice of which is set out on pages 93 to 97 of this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"US$"	United States dollar(s), the lawful currency in the United States of America
"Winbox"	Winbox (BVI) Limited, a company incorporated in the British Virgin Islands
"Winbox Group"	Winbox and its subsidiaries

In this circular, for reference only and unless otherwise specified, the translation of US$ into HK$ is based on the exchange rate of US$1.00 to HK$7.75.

GOODWILL INVESTMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:
FUNG Ka Pun *(Chairman and Managing Director)*
CHENG Kin Wah, Thomas
LAI Shi Hong, Edward
TSANG Pui Yuen, Kant
HO Kwok Wai, Patrick

Non-Executive Director:
KUA Phek Long

Independent Non-Executive Directors:
GUO Peinan
NGAN On Tak, Andy

Registered Office:
Cedar House
41 Cedar Avenue,
Hamilton HM12
Bermuda

Principal Office in Hong Kong:
20th Floor, Henley Building
Five Queen's Road Central
Hong Kong

25th March, 2000

To the Shareholders

Dear Sir or Madam,

ACQUISITION OF e2-CAPITAL LIMITED
(MAJOR AND CONNECTED TRANSACTION)

GRANTING OF OPTION TO GOODWILL INTERNATIONAL (HOLDINGS) LIMITED
TO ACQUIRE AN INTEREST IN BOXMORE LIMITED
(CONNECTED TRANSACTION)

ACQUISITION OF INTEREST IN PACIFIC CONNECTIONS LIMITED
(SHARE TRANSACTION)

ACQUISITION OF INTEREST IN
GOODWILL FINANCIAL SERVICES (HOLDINGS) LIMITED
(SHARE TRANSACTION)

ACQUISITION OF KEITH STATHAM ASSOCIATES LIMITED

PLACING OF NEW SHARES

CHANGE OF NAME OF THE COMPANY

INCREASE IN AUTHORISED SHARE CAPITAL

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

On 26th February, 2000, the directors of the Company announced that, in connection with the transactions contemplated under the Proposal, the Company had, among other things, entered into the e2-Capital Acquisition Agreement, the PCL Acquisition Agreement, the KSA Acquisition Agreement, the Boxmore Option Agreement, the Share Placing Agreement and the MOU. The Company entered into the GFS Acquisition Agreement on 17th March, 2000.

The purpose of this circular is to provide further information on: (i) the e2-Acquisition, which constitutes a major and connected transaction of the Company under the Listing Rules; (ii) the granting of the Boxmore Option by two of the Company's subsidiaries to Goodwill International, which constitutes a connected transaction under the Listing Rules; and (iii) the other transactions under the Proposal. The recommendations of the Independent Board Committee to the Shareholders in connection with the e2-Capital Acquisition and to the Independent Shareholders in connection with the granting of the Boxmore Option are set out on pages 26 to 27 of this circular. A copy of the letter from DBS to the Independent Board Committee containing its advice in relation to the e2-Capital Acquisition and the Boxmore Option is set out on pages 28 to 33 of this circular.

SUMMARY OF THE PROPOSAL

Pursuant to the Acquisition Agreements, the Company has conditionally agreed: (i) to acquire the entire issued share capital of e2-Capital from ECI for an aggregate consideration of HK$348,000,000 to be satisfied by the issue and allotment of 290,000,000 new Shares to ECI; (ii) to acquire approximately 20% of the issued share capital of PCL from CDC for an aggregate consideration of HK$35,004,000 to be satisfied by the issue and allotment of 29,170,000 new Shares to CDC; (iii) to acquire the entire issued share capital of KSA from the KSA Vendors for an aggregate consideration of HK$50,000,000 to be satisfied in cash; and (iv) through its wholly owned subsidiary, Goodwill Investment (BVI), to acquire the remaining 60% interest in GFS not currently owned by Goodwill Investment (BVI) from JF (B.V.I.) Investment and Great Mark Investments for an aggregate consideration of HK$57,000,000 to be satisfied, as to HK$28,500,000, by the issue and allotment of 23,750,000 new Shares to JF (B.V.I.) Investment and Great Mark Investments and, as to the balance, in cash.

Pursuant to the Boxmore Option Agreement, Goodwill International (BVI) and Crebox, both wholly-owned subsidiaries of the Company, have conditionally granted an option to Goodwill International, the Company's controlling shareholder holding approximately 51.9% of the existing issued share capital of the Company, to acquire up to 88% of the issued share capital of Boxmore, which is an indirect 88%-owned subsidiary of the Company, exercisable within one year from the completion of the e2-Capital Acquisition at the total exercise price of HK$88,000,000 for such 88% interest (or part thereof on a pro rata basis).

Pursuant to the Share Placing Agreement, Jardine Fleming has conditionally agreed to procure subscriber(s) for up to 230,000,000 new Shares on a best-efforts basis. As at the Latest Practicable Date, Jardine Fleming had procured subscribers on a conditional basis for the maximum number of 230,000,000 new Shares.

Subject to approval by the Shareholders, the authorised share capital of the Company will be increased to US$200,000,000 by the creation of 1,000,000,000 additional Shares.

Under the terms of the e2-Capital Acquisition Agreement, it is proposed that, upon completion of the e2-Capital Acquisition: (i) all the existing directors of the Company other than Fung Ka Pun will resign; and (ii) Wong Sin Just, the Chairman and Chief Executive Officer of e2-Capital, will join the board of directors of the Company as an executive director. It is presently intended that: (i) Fung Ka Pun will be re-appointed as Chairman of the Company; and (ii) Wong Sin Just will be appointed as Chief Executive Officer of the Company.

Upon completion of the e2-Capital Acquisition Agreement and subject to approval by the Shareholders, the English name of the Company will be changed to "e2-Capital (Holdings) Limited".

ACQUISITIONS

e2-Capital Acquisition

On 26th February, 2000, the Company and ECI entered into the e2-Capital Acquisition Agreement (with Wong Sin Just and Tam Yuk Ching, Jenny acting as warrantors). Pursuant to this agreement, the Company conditionally agreed to acquire the entire issued share capital of e2-Capital from ECI. The consideration amounts to HK$348,000,000 and is to be satisfied by the issue and allotment of 290,000,000 new Shares at the issue price of HK$1.20 per Share. The e2-Capital Acquisition constitutes a major and connected transaction under the Listing Rules.

Wong Sin Just and Tam Yuk Ching, Jenny are the co-founders of e2-Capital and the controlling shareholders in ECI. Under the terms of the e2-Capital Acquisition Agreement, it is proposed that, upon completion of the e2-Capital Acquisition: (i) Wong Sin Just will become an executive director of the Company; and (ii) Tam Yuk Ching, Jenny will serve as alternate director to Wong Sin Just. Following completion of the e2-Capital Acquisition, ECI will become a substantial shareholder of the Company and e2-Capital will become a wholly-owned subsidiary of the Company. As such, ECI is deemed to be a connected person of the Company as defined under the Listing Rules. The e2-Capital Acquisition therefore constitutes a connected transaction for the Company under the Listing Rules and is subject to approval by the existing Shareholders.

ECI is not connected with the current directors, chief executive and substantial Shareholders of the Company, its subsidiaries or their respective Associates. ECI and e2-Capital are not connected with the other parties to the transactions (other than the e2-Capital Acquisition) set out in this circular.

Consideration

The e2-Capital Consideration Shares will rank pari passu in all respects with all existing Shares, including the right to receive all future dividends and distributions declared, made or paid by the Company on or after the date of completion of the e2-Capital Acquisition Agreement.

The agreed consideration for the e2-Capital Shares was determined on the basis of arm's length negotiations with reference to the independent valuation by Chesterton Petty of e2-Capital of HK$490,000,000. The text of Chesterton Petty's valuation letter dated 25th March, 2000 and a summary of the valuation are set out in Appendix V to this circular. The agreed consideration represents a discount of approximately 29.0% to Chesterton Petty's independent valuation. On this basis, the directors of the Company consider the consideration for the e2-Capital Acquisition of HK$348,000,000 to be fair and reasonable so far as the Company and the Shareholders are concerned.

The e2-Capital Consideration Shares represent: (i) approximately 50.1% of the existing issued share capital of the Company; (ii) approximately 33.4% of the issued share capital of the Company as enlarged by the e2-Capital Acquisition; (iii) approximately 26.4% of the issued share capital of the Company as enlarged by the e2-Capital Acquisition and the Share Placing (assuming the maximum number of Placing Shares are issued); (iv) approximately 25.8% of the issued share capital of the Company as enlarged by the e2-Capital Acquisition, the GFS Acquisition and the Share Placing (assuming the maximum number of Placing Shares are issued); and (v) approximately 25.2% of the issued share capital of the Company as enlarged by the e2-Capital Acquisition, the GFS Acquisition, the PCL Acquisition and the Share Placing (assuming the maximum number of Placing Shares are issued).

The issue price of HK$1.20 per Share was determined on the basis of arm's length negotiations with reference to the average closing price of HK$1.19 per Share over the 10 trading days up to and including 11th February, 2000, the last day of trading in the Shares prior to suspension of trading in the Shares pending issue of the Announcement. The issue price of HK$1.20 represents: (i) a discount of approximately 46.7% to the closing price of HK$2.25 per Share on 11th February, 2000; and (ii) a premium of approximately 0.8% over the average closing price of HK$1.19 per Share over the 10 trading days up to and including 11th February, 2000. Such issue price of HK$1.20 per Share also represents: (i) a premium of approximately 1.7% over the Group's audited consolidated net asset value per Share of approximately HK$1.18 as at 31st December, 1998 (based on the audited consolidated balance sheet of the Group as at 31st December, 1998 set out in Appendix I to this circular and the number of Shares in issue as at that date); and (ii) a premium of approximately 9.1% to the Group's unaudited consolidated net asset value per Share as at 31st December, 1999 of approximately HK$1.10 (based on the consolidated net assets of the Group as disclosed in the unaudited statement of consolidated net assets of the Group as at 31st December, 1999 set out in Appendix I to this circular and the number of Shares in issue as at the Latest Practicable Date).

Conditions of the acquisition

Completion of the e2-Capital Acquisition Agreement is conditional upon, among other conditions, the following conditions having been fulfilled or waived:

(a) the passing of a resolution by the Shareholders at the Special General Meeting approving the entering into of the e2-Capital Acquisition Agreement;

(b) the passing of a resolution by the Shareholders at the Special General Meeting approving: (i) the increase in the authorised share capital of the Company; (ii) the issue and allotment of the e2-Capital Consideration Shares to ECI; and (iii) the change of the English name of the Company to "e2-Capital (Holdings) Limited";

(c) the granting by the Stock Exchange of a listing of, and permission to deal in, the e2-Capital Consideration Shares;

(d) the completion of due diligence on e2-Capital and the Company to the reasonable satisfaction of the Company and ECI respectively;

(e) the execution of service agreements between the Company and Wong Sin Just and Tam Yuk Ching, Jenny respectively;

(f) the GFS Acquisition Agreement having been entered into and the fulfillment or waiver of any conditions precedent to the GFS Acquisition Agreement;

(g) all necessary consents, licenses, authorisations, waivers, orders, grants, confirmations, permission, registration and other approvals in connection with the e2-Capital Acquisition having been obtained from the relevant governmental or regulatory authorities or third parties and remaining in full force and effect (including approval from the SFC to the change of control of e2-Capital); and

(h) the warranties in the e2-Capital Acquisition Agreement remaining true and correct and not misleading at completion thereof.

Completion of the acquisition

Completion is expected to take place on the third business day after the last of the conditions to the e2-Capital Acquisition Agreement has been fulfilled or waived. It is expected that the date of completion will be in mid-April. In the event that the above conditions of the e2-Capital Acquisition Agreement are not fulfilled or waived by 1st June, 2000, the e2-Capital Acquisition Agreement will lapse.

Effects of the acquisition

The effects of the e2-Capital Acquisition and the Share Placing on the net assets and share capital of the Group are set out in paragraphs (a) and (b) below respectively. In each case, no account has been taken of the other transactions contemplated under the Proposal.

(a) *Net assets*

A statement of the pro forma unaudited adjusted consolidated net tangible assets of the Group upon completion of the e2-Capital Acquisition and the Share Placing is set out in Appendix III to this circular. On the bases set out in that section: (i) the pro forma unaudited adjusted consolidated net tangible assets of the Group upon completion of the e2-Capital Acquisition alone will be approximately HK$643,409,000, equivalent to approximately HK$0.74 per Share, based on the number of Shares expected to be in issue upon completion of the e2-Capital Acquisition; and (ii) the pro forma unaudited adjusted consolidated net tangible assets of the Enlarged Group upon completion of the e2-Capital Acquisition and the Share Placing will be approximately HK$913,889,000, equivalent to approximately HK$0.83 per Share, based on the number of Shares expected to be in issue upon completion of the e2-Capital Acquisition and the Share Placing (assuming the maximum number of Placing Shares are issued).

An unaudited statement of consolidated net assets of the Group as at 31st December, 1999 is set out in Appendix I to this circular. The unaudited consolidated net asset value of the Group as at 31st December, 1999 is approximately HK$639,661,000, equivalent to approximately HK$1.10 per Share ("Current NAV per Share"), based on the number of Shares in issue as at the Latest Practicable Date.

The pro forma unaudited adjusted consolidated net tangible asset value of the Group upon completion of the e2-Capital Acquisition of HK$0.74 per Share represents a decrease of approximately 32.7% as compared to the Current NAV per Share. The pro forma unaudited adjusted consolidated net tangible asset value of the Enlarged Group upon completion of the e2-Capital Acquisition and the Share Placing (assuming the maximum number of Placing Shares are issued) of HK$0.83 per Share represents a decrease of approximately 24.5% as compared to the Current NAV per Share.

(b) *Share capital*

The effects of the e2-Capital Acquisition and the Share Placing on the issued share capital of the Company are as follows:

	Existing		**Immediately after completion of the e2-Capital Acquisition**		**Immediately after completion of the e2-Capital Acquisition and the Share Placing**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Goodwill International and its Associates	305,917,957	52.8	305,917,957	35.2	305,917,957	27.8
ECI	—	—	290,000,000	33.3	290,000,000	26.4
Other Shareholders	273,354,379	47.2	274,354,379[(1)]	31.5	504,354,379[(1)]	45.8
Total	**579,272,336**	**100.0**	**870,272,336**	**100.0**	**1,100,272,336**	**100.0**

Note:

(1) Including the Shares to be issued to Jardine Fleming in consideration for the financial advisory services provided by Jardine Fleming to the Company.

Description of e2-Capital

e2-Capital is registered as an investment adviser and securities dealer under the Securities Ordinance (Cap. 333 of Laws of Hong Kong). e2-Capital is principally engaged in corporate finance advisory, investment advisory, equity capital raising and Internet business consulting services.

In light of the globally emerging Internet economy, e2-Capital's business objective is to provide specialist financial and business advisory services to corporations in the Internet and technology sector. e2-Capital's strategy is to provide its clients with technology consulting services together with specialist corporate finance advice, thereby helping its clients to strategically position their e-Business and to raise equity capital to finance business growth.

(a) Corporate finance advisory

As a registered investment adviser, e2-Capital acts as financial adviser to public and private corporations on corporate finance matters. The major aspects of corporate finance advisory services that e2-Capital provides include mergers and acquisitions, divestiture, restructuring and capital raising.

(b) Investment advisory

As a registered investment adviser and securities dealer, e2-Capital advises its clients, the majority of which are professional and institutional investors, on the buying and selling of securities. However, e2-Capital does not handle clients' money, but rather, plays a pure investment advisory role in providing investment recommendations to its clients.

(c) Equity capital raising

A major focus of e2-Capital's business is to assist Internet and technology companies to raise equity capital. In the area of private equity raising, e2-Capital acts as agent of private companies to raise equity capital from private equity investors. e2-Capital's strategy is to act for private companies that, in the opinion of e2-Capital, possess sound business plans and the potential to become candidates for public listings in the short to medium term.

e2-Capital will utilise its co-founders' experience and contacts with a network of brokers and dealers in Hong Kong to assist in raising equity capital for publicly listed companies. e2-Capital's strategy is to act as financial adviser to publicly listed companies in the arrangement of share placements. Through such network of brokers and dealers, e2-Capital will arrange for syndicates of brokers and dealers to execute share placements and raise equity capital for public companies.

To facilitate the arrangement and execution of equity capital raising for public companies, e2-Capital is in the process of developing the "OpenIBN" platform, which is an Internet business-to-business platform that links up a network of brokers and dealers on the Internet cyberspace. Through the OpenIBN, the brokers and dealers within the network will be informed about the commencement of share placements and will be allowed to place orders for shares through the Internet. Leveraging on the power of the Internet, the OpenIBN is being designed to enhance the efficiency of the execution of equity capital raising transactions and to facilitate information flow within the brokers and dealers network. e2-Capital's ability to execute share placements for public companies is expected to be enhanced by the OpenIBN platform, which is intended to be launched in the first half of this year.

(d) Internet business consulting

e2-Capital provides specialised business consulting services to Internet and technology companies. In particular, e2-Capital's intention is to specialize in the following areas of technology consulting:

(i) Digital Strategy: helping clients to develop Internet strategies and business plans;

(ii) e-Business Conversion: advising offline business clients on how to leverage existing strengths to take their businesses online;

(iii) e-Commerce Solutions: advising Internet commerce clients on how to construct their business models and how to build out enabling technologies and processes to enable payment and fulfillment;

(iv) Partnerships and Alliances: identifying and forging partnerships and alliances, and advising on post-merger technology integration; and

(v) eTeams@Speed: providing specialist consultants to act as interim senior management or in-house specialists for technology clients.

e2-Capital was incorporated in September 1999. For the period from the date of incorporation to 31st December, 1999, the audited revenue and net loss from ordinary activities of e2-Capital were approximately HK$1,050,000 and approximately HK$1,052,000 respectively. The audited net assets of e2-Capital were approximately HK$3,748,000 as at 31st December, 1999. Details of e2-Capital's financial position are set out in Appendix II.

PCL Acquisition

On 26th February, 2000, the Company and CDC entered into the PCL Acquisition Agreement. Pursuant to this agreement, the Company conditionally agreed to acquire 20% of the issued share capital of PCL from CDC. The consideration amounts to HK$35,004,000 and is to be satisfied by the issue and allotment of 29,170,000 new Shares at the issue price of HK$1.20 per Share (which is equal to the issue price of the e2-Capital Consideration Shares). The PCL Acquisition constitutes a share transaction under the Listing Rules.

CDC and PCL are not connected with the directors, chief executive and substantial shareholders of the Company, its subsidiaries or their respective Associates. CDC is the beneficial owner of the entire issued share capital of PCL. CDC and PCL are not connected with the other parties to the transactions (other than the PCL Acquisition) set out in this circular.

Consideration

The PCL Consideration Shares will rank pari passu in all respects with all existing Shares, including the right to receive all future dividends and distributions declared, made or paid by the Company on or after the date of completion of the PCL Acquisition Agreement.

The agreed consideration for the PCL Shares was determined on the basis of arm's length negotiations with particular reference to the revenue prospects of PCL's specialised Intranet consultancy business and the potential benefit that can be achieved from the acquisition of PCL by the Company. Chesterton Petty has been appointed by CDC to undertake an independent valuation of PCL. Chesterton Petty has assigned a market value of US$23,330,000 (equivalent to approximately HK$180,807,500) to the total equity interest in PCL and a market value of US$4,666,000 (equivalent to approximately HK$36,161,500) to a 20% equity interest in PCL. The text of Chesterton Petty's valuation letter dated 25th March, 2000 and a summary of the valuation are set out in Appendix VI to this circular. The agreed consideration represents a discount of approximately 3.2% to Chesterton Petty's independent valuation.

The PCL Consideration Shares represent: (i) approximately 5.0% of the existing issued share capital of the Company; and (ii) approximately 4.8% of the issued share capital of the Company as enlarged by the PCL Acquisition.

Conditions of the acquisition

Completion of the PCL Acquisition Agreement is conditional upon, among other conditions, the following conditions having been fulfilled or waived:

(a) the passing of all necessary resolutions by the Shareholders at the Special General Meeting approving the issue and allotment of PCL Consideration Shares;

(b) the passing of all relevant resolutions by the board of directors of PCL and CDC;

(c) the granting by the Stock Exchange of a listing of, and permission to deal in, the PCL Consideration Shares;

(d) completion of due diligence on PCL to the reasonable satisfaction of the Company; and

(e) *production of an independent valuation report on* PCL *provided by an independent* valuer appointed by CDC comfirming a valuation of PCL of no less than HK$175,020,000.

Completion of the acquisition

Completion is expected to take place on the third business day after the last of the conditions to the PCL Acquisition Agreement has been fulfilled or waived. It is expected that the date of completion will be in mid-April. In the event that the above conditions of the PCL Acquisition Agreement are not fulfilled or waived by 1st June, 2000, the PCL Acquisition Agreement will lapse.

Description of PCL

PCL is a full service Internet and e-commerce related company providing web solution and Intranet evaluation, implementation and management services to large and medium corporate customers in Hong Kong and other countries in Asia. PCL focuses on using Internet technologies to solve the critical problems of improving communications and increasing productivity both within the firm and with external parties. PCL was incorporated in December 1996 and is currently a wholly-owned subsidiary of CDC. For the year ended 31st March, 1999, the audited net loss of PCL was approximately HK$2,346,000. The audited net liabilities of PCL were approximately HK$4,952,000 as at 31st March, 1999. For the nine months ended 31st December, 1999, the audited net loss of PCL was approximately HK$1,340,000. The audited net assets of PCL were approximately HK$490,000 as at 31st December, 1999.

KSA Acquisition

On 26th February, 2000, the Company and the KSA Vendors entered into the KSA Acquisition Agreement. Pursuant to this agreement, the Company conditionally agreed to acquire the entire issued share capital of KSA from the KSA Vendors. The consideration amounts to HK$50,000,000 and is to be satisfied in cash.

None of the KSA Vendors is connected with the directors, chief executive and substantial Shareholders of the Company, its subsidiaries or their respective Associates. None of the KSA Vendors is connected with the other parties to the transactions (other than the KSA Acquisition) set out in this circular.

Consideration

The agreed consideration for the KSA Shares of HK$50,000,000 was determined on the basis of arm's length negotiations. Such agreed consideration is payable by the Company in cash.

Conditions of the acquisition

Completion of the KSA Acquisition Agreement is conditional upon, among other conditions, the following conditions having been fulfilled or waived:

(a) completion of the placing of a minimum of 100,000,000 Shares pursuant to the Share Placing Agreement;

(b) completion of due diligence on KSA in good faith to the reasonable satisfaction of the Company;

(c) the production of audited financial statements of KSA for the nine months ending 31st December, 1999 prepared by an accounting firm to the satisfaction of the Company showing a net asset value of KSA as at 31st December, 1999 of not less than HK$1,400,000; and

(d) the execution of service agreements between KSA and each of Keith Arthur Statham, Chan Nim Wo and Siu Wan Tak, Lisa.

Completion of the acquisition

Subject to all the other conditions to completion being fulfilled or waived, completion of the KSA Acquisition Agreement is expected to take place on or before the seventh business day after completion of the Share Placing. It is expected that the date of completion of the KSA Acquisition Agreement will be in mid-April. In the event that the above conditions of the KSA Acquisition Agreement are not fulfilled or waived by 1st June, 2000, the KSA Acquisition Agreement will lapse.

Description of KSA

KSA is engaged in the provision of strategic counseling and communications solutions, brand marketing and consultancy services to corporate clients. KSA is also involved in advising listed companies on their investor relations and financial communications and has recently added information technology and new media marketing to its range of services. KSA's client base includes listed companies, financial institutions and multinational corporations. KSA, which was incorporated in January 1987, is currently majority owned and controlled by Keith Arthur Statham and Chan Nim Wo. For the year ended 31st March, 1999, the audited revenue and net loss of KSA were approximately HK$19,212,000 and approximately HK$612,000 respectively. The audited net assets of KSA were approximately HK$1,006,441 as at 31st March, 1999. For the nine months ended 31st December, 1999, the audited revenue and net profit of KSA were approximately HK$9,713,000 and HK$565,961 respectively. The audited net assets of KSA were approximately HK$1,447,000 as at 31st December, 1999.

GFS Acquisition

On 17th March, 2000, the Company, together with its wholly owned subsidiary Goodwill Investment (BVI), entered into the GFS Acquisition Agreement. Pursuant to this agreement, Goodwill Investment (BVI) conditionally agreed to acquire the remaining 60 per cent. interest in GFS not currently held by Goodwill Investment (BVI) from JF (B.V.I.) Investment and Great Mark Investments. The GFS Shares are currently held equally by JF (B.V.I.) Investment and Great Mark Investments. The consideration payable for the GFS Shares amounts to HK$57,000,000 and is to be satisfied as to HK$28,500,000 by the issue of the GFS Consideration Shares at the issue price of HK$1.20 per Share and as to the balance in cash. The GFS Acquisition constitutes a share transaction under the Listing Rules.

JF (B.V.I.) Investment and Great Mark Investments are not connected with the current directors, chief executive and substantial Shareholders of the Company, its subsidiaries or their respective Associates. JF (B.V.I.) Investment is a wholly-owned subsidiary of JF Holdings which holds the entire beneficial interest in the issued share capital of Jardine Fleming. JF (B.V.I.) Investment and Great Mark Investments are otherwise not connected with the other parties to the transactions (other than the GFS Acquisition) set out in this circular.

Consideration

The agreed consideration for the GFS Shares of HK$57,000,000 was determined on the basis of arm's length negotiations.

The GFS Consideration Shares will rank pari passu in all respects with all existing Shares, including the right to receive all future dividends and distributions declared, made or paid by the Company on or after the date of completion of the GFS Acquisition Agreement.

The GFS Consideration Shares represent: (i) approximately 4.1% of the existing issued share capital of the Company; and (ii) approximately 3.9% of the issued share capital of the Company as enlarged by the GFS Acquisition. The issue price of HK$1.20 per Share is equal to the issue price of the e2-Capital Consideration Shares and the PCL Consideration Shares.

Conditions of the acquisition

Completion of the GFS Acquisition Agreement is conditional upon, among other conditions, the following conditions having been fulfilled or waived:

(a) necessary approvals of the change of control of GFS and its relevant subsidiaries from the Stock Exchange, the Hong Kong Futures Exchange Limited and the SFC;

(b) the passing of resolutions by the Shareholders at the Special General Meeting to approve the increase in authorised share capital of the Company and the issue and allotment of the GFS Consideration Shares;

(c) the granting by the Stock Exchange of a listing of, and permission to deal in, the GFS Consideration Shares;

(d) the e2-Capital Acquisition Agreement becoming unconditional;

(e) the Share Placing Agreement becoming unconditional;

(f) all necessary consents, licenses, authorisations, waivers, orders, grants, confirmations, permissions, registrations and other approvals in connection with the GFS Acquisition having been obtained from the relevant governmental or regulatory authorities; and

(g) the warranties given in connection with the GFS Acquisition remaining true and correct and not misleading at completion.

Completion of the acquisition

Completion will take place on the date of completion of the Share Placing Agreement. It is expected that the date of completion will be mid-April. In the event that the above conditions of the GFS Acquisition Agreement are not fulfilled or waived by 1st June, 2000, the GFS Acquisition Agreement will lapse.

Description of GFS

GFS and its subsidiaries are engaged in the provision of financial services including securities brokerage, margin financing and corporate finance services. For the year ended 31st December, 1998, the audited consolidated net loss of GFS and its subsidiaries was approximately HK$56,894,000. The audited consolidated net assets of GFS and its subsidiaries were approximately HK$65,802,000 as at 31st December, 1998.

BOXMORE OPTION

On 26th February, 2000, Goodwill International (BVI) and Crebox together (with the Company as warrantor) granted to Goodwill International an option to acquire up to an aggregate of 6,502,672 shares in the issued share capital of Boxmore, representing 88% of Boxmore's issued share capital. Such option shall become exercisable upon completion of the e2-Capital Acquisition for a period of one year thereafter at the total price of HK$88,000,000 for the 88% interest in Boxmore (or part thereof on a pro rata basis) to be settled in cash.

Goodwill International is the controlling shareholder of the Company currently holding approximately 51.9% of the existing issued share capital of the Company. Boxmore is indirectly held by the Company as to an aggregate of 88% of its issued share capital through the Company's subsidiaries, Goodwill International (BVI) and Crebox. The granting of the Boxmore Option constitutes a connected transaction under the Listing Rules and is subject to approval by the Independent Shareholders.

Exercise Price

The total exercise price of HK$88,000,000 (or part thereof on a pro rata basis) was reached following arm's length negotiations between the Company and Goodwill International with reference to the audited consolidated net asset value of the Winbox Group, which is Boxmore's sole asset, as at 31 March, 1999 of approximately HK$8.92 per Boxmore share (being the consolidated net asset value of the Winbox Group as at 31st March, 1999 of HK$65,947,251 divided by the total number of issued shares of Boxmore of 7,389,400 shares as at the date of this circular). The maximum exercise price of HK$88,000,000, which is equivalent to HK$13.53 per Boxmore share (being HK$88,000,000 divided by the number of issued Boxmore shares representing 88% of the issued share capital of Boxmore as at the date of this circular of 6,502,672 shares), represents a premium of approximately 51.7% over the audited consolidated net asset value of the Winbox Group as at 31 March, 1999 on a per-Boxmore-share basis. On this basis, the directors of the Company consider the exercise price to be fair and reasonable so far as the Shareholders of the Company are concerned.

Condition

The granting of the Boxmore Option is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the Special General Meeting of the Company.

Description of Boxmore

Boxmore is an investment holding company. The Winbox Group is Boxmore's only asset. Winbox is Boxmore's only directly owned subsidiary and Boxmore is interested in the entire issued share capital of Winbox. The Winbox Group is engaged in the production of packaging boxes, the production base of which is in Shenzhen, PRC and its customers are mainly distributors in Europe. Boxmore is an 88% indirectly owned subsidiary of the Company. Yue Xiu Enterprise (Holdings) Limited indirectly holds the remaining 12% interest in Boxmore. For the year ended 31st March, 1999, the audited consolidated net profit of the Winbox Group was approximately HK$23,192,000. The audited consolidated net assets of the Winbox Group were approximately Hk$65,947,000 as at 31st March, 1999. In the event that the transactions contemplated under the Proposal (other than the granting of the Boxmore Option to Goodwill International) are not completed, following the possible disposal of Boxmore by the Company, the Group will continue to focus on the provision of financial services, direct investment and property development and investment as its main lines of business.

SHARE PLACING

On 26th February, 2000, the Company and Jardine Fleming entered into the Share Placing Agreement. Pursuant to this agreement, Jardine Fleming has conditionally agreed to procure subscriber(s) for up to 230,000,000 new Shares on a best-efforts basis. 230,000,000 Shares represent: (i) about 39.7% of the existing issued share capital of the Company; (ii) approximately 20.5% of the issued share capital of the Company as enlarged by the Share Placing, the e2-Capital Acquisition and the GFS Acquisition (assuming the maximum number of Placing Shares are issued); (iii) approximately 20.0% of the issued share capital of the Company as enlarged by the *Share Placing, the e2-Capital Acquisition, the GFS Acquisition and the PCL Acquisition (assuming* the maximum number of Placing Shares are issued). The issue price of HK$1.20 per Share is equal to the issue price of the e2-Capital Consideration Shares, the PCL Consideration Shares and the GFS Consideration Shares.

Jardine Fleming is not connected with the Company and its existing directors, chief executives or substantial shareholders of the Company, or any of its subsidiaries, or an Associate of any of them. Jardine Fleming is a wholly-owned subsidiary of JF Holdings, which through JF (B.V.I.) Investment, also its wholly-owned subsidiary, holds a 30% interest in GFS. As noted in the section headed "GFS Acquisition" above, the Company, which indirectly owns 40% of the issued share capital of GFS, has, together with Goodwill Investment (BVI), entered into the GFS Acquisition Agreement with JF (B.V.I.) Investment, Great Mark Investments, JF Holdings and SHKP in relation to the proposed acquisition by Goodwill Investment (BVI) of the remaining 60% interest in GFS, which includes the 30% interest held by JF (B.V.I.) Investment.

Conditions of the Share Placing

Completion of the Share Placing Agreement is conditional upon:

(a) the passing of shareholder resolutions of the Company approving the increase in its authorised share capital and the issue of new Shares in connection with the Share Placing;

(b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment and matters ancillary thereto) listing of and permission to deal in the new Shares to be issued under the Share Placing; and

(c) the e2-Capital Acquisition Agreement becoming unconditional.

Completion of the Share Placing

Completion of the Share Placing will take place on the date of completion of the e2-Capital Acquisition (provided that date is a day on which the Shares are traded on the Stock Exchange or, if not, the next business day on which the Shares are so traded) which is expected to be in mid-April. In the event that the above conditions are not fulfilled or waived by 1st June, 2000, the Share Placing Agreement will lapse.

Use of Proceeds from the Share Placing

The net proceeds from the Share Placing will be used for the KSA Acquisition, the GFS Acquisition and as general working capital of the Group.

Status of the Share Placing

On 29th February, 2000, the directors of the Company further announced that each of Cheung Wah Development Company Limited and Pacific Century CyberWorks Limited (through a wholly-owned subsidiary) has conditionally agreed to subscribe for 65,000,000 Placing Shares. As at the Latest Practicable Date, Jardine Fleming had procured subscribers on a conditional basis for the maximum amount of 230,000,000 new Shares.

SHAREHOLDING STRUCTURE PRIOR TO AND UPON IMPLEMENTATION OF THE PROPOSAL

Set out below is a table showing the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Proposal (assuming that all the transactions under the Proposal are completed):

	Existing		**Immediately after completion of the Proposal (assuming all Placing Shares issued and no employee stock options exercised)**		**Immediately after completion of the Proposal (assuming all Placing Shares issued and all employee stock options exercised in full)** (1)	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Goodwill International (3)	300,697,091	51.9	300,697,091	26.1	300,697,091	25.7
Fung Ka Pun (3)(4)	5,220,866	0.9	5,220,866	0.5	15,095,866	1.3
Other directors of the Company and its subsidiaries (2)	60,732,000	10.5	—	—	—	—
ECI	—	—	290,000,000	25.1	290,000,000	24.8
Existing public Shareholders (2)	212,622,379	36.7	212,622,379	18.4	212,622,379	18.1
New public Shareholders	—	—	344,652,000(5)	29.9	353,226,000(6)	30.1
Total	**579,272,336**	**100.0**	**1,153,192,336**	**100.0**	**1,171,641,336**	**100.0**

Notes:

(1) The number of Shares issuable pursuant to the exercise of the outstanding employee stock options is calculated by adopting the existing exercise prices applicable to such options.

(2) As at the Latest Practicable Date, Kua Phek Long, an existing non-executive director of the Company, was personally interested in 60,732,000 Shares, representing: (i) approximately 10.5% of the existing issued share capital of the Company; (ii) approximately 5.3% of the issued share capital of the Company upon completion of the Proposal (assuming the maximum number of Placing Shares are issued and no employee stock options are exercised); (iii) approximately 5.2% of the issued share capital of the Company upon completion of the Proposal (assuming the maximum number of Placing Shares are issued and all employee stock options are exercised in full). Mr. Kua will resign as director of the Company upon completion of the e2-Capital Acquisition. Accordingly, his shareholding will be counted towards public float upon completion of the Proposal.

(3) As at the Latest Practicable Date, Fung Ka Pun is beneficially interested in approximately 26.5% of the issued share capital of Goodwill International. As such, Mr. Fung is the single largest Shareholder of Goodwill International.

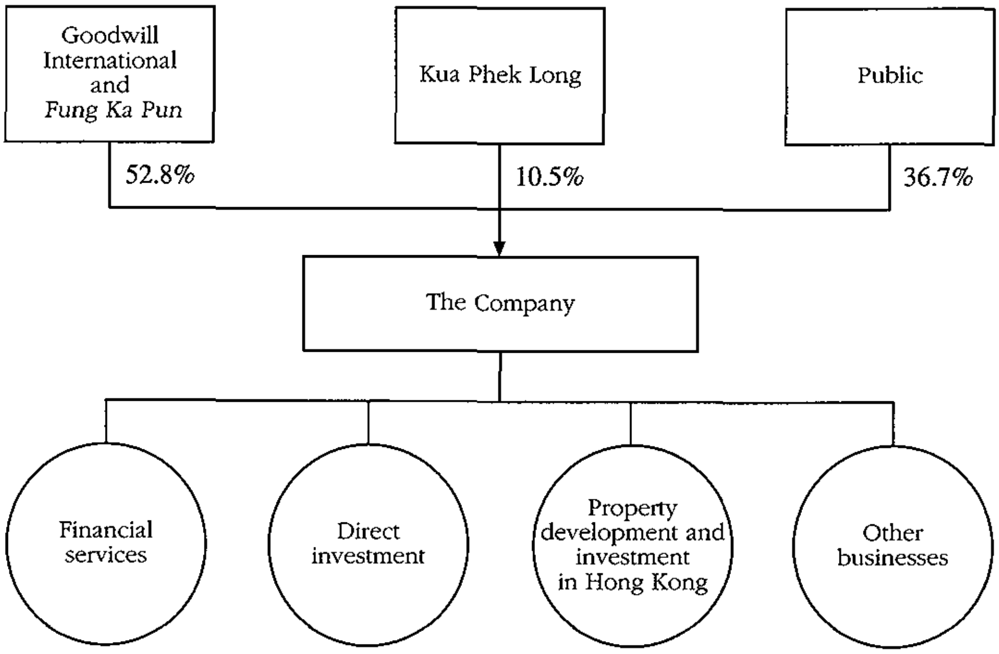
(4) Fung Ka Pun and his spouse are interested in 9,875,000 Share options which were granted to them pursuant to the Company's Share Option Scheme.

(5) Including Shares held by Kua Phek Long, the PCL Consideration Shares, the GFS Consideration Shares, the Shares to be issued to Jardine Fleming in consideration for the financial advisory services provided by Jardine Fleming to the Company and all of the 230,000,000 Shares that are issuable pursuant to the Share Placing.

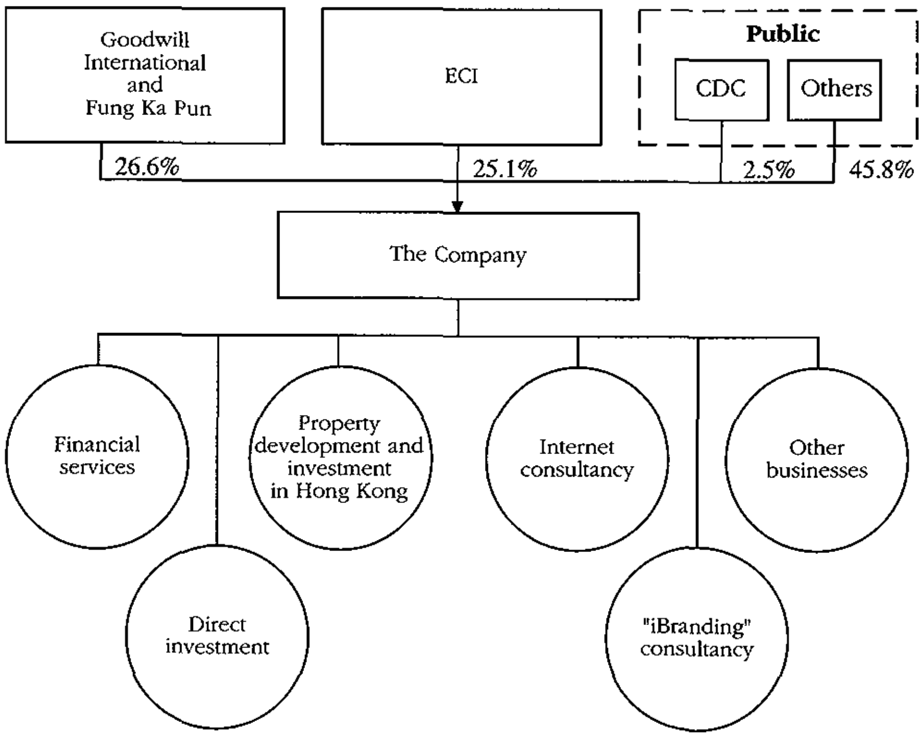
(6) The shareholding as set out in note (5) plus the Shares that are issuable pursuant to options granted to employees to acquire 8,574,000 Shares (including options to acquire 6,874,000 Shares granted to existing directors of the Company but excluding Fung Ka Pun and his spouse).

The following charts show the simplified shareholding structure of the Group immediately prior to and upon completion of the Proposal (assuming that the maximum number of Placing Shares are issued and no employee stock options are exercised):

Before Proposal



After Proposal[1]



Note:

1. Including the Shares to be issued to Jardine Fleming in consideration for the financial advisory services provided by Jardine Fleming to the Company.

REASONS FOR THE PROPOSAL

Provision of traditional brokerage services has been the major focus of the Group's financial services business. With the advent of modern technologies, the introduction of on-line Internet equity trading and the contracting margin of traditional secondary equity trading business, the directors of the Company believe that such focus is inadequate. The directors of the Company further believe that the manufacturing business of the Winbox Group does not fit harmoniously into the framework of the Company's future business strategy. The directors of the Company consider that it would be in the best interest of the Company to take appropriate steps to streamline the existing businesses of the Company and to re-focus the Company's business strategy to become a provider of comprehensive financial and related technology advisory services to Internet and high technology-related companies. The directors believe that the proposed transactions will allow the Company to achieve such objectives, reinforce the Company's capital base and provide the Company with a distinctive identity. The directors of the Company further believe that the e2-Capital Acquisition would serve to enhance the existing financial services and direct investment businesses of the Company in the technology sector.

FUTURE INTENTIONS AND PROSPECTS

The existing and future directors of the Company will conduct a review of the financial position and operations of the Group with a view to strengthening the operations of the Group. Currently, the directors have no plan for any redeployment of the fixed assets of the Group and they envisage that the Group will continue its existing businesses while re-focusing on providing financial and consulting services to technology companies. In addition, save as described below, the directors of the Company intend that there will be no material changes to the existing management and employees of the Company and its subsidiaries by reason of the Proposal only.

The existing and future directors of the Company will aim to position the Group strategically to benefit from the growth of the Internet sector. The Company's aim is to provide a range of financial and consulting services to Internet and technology companies as a total solution provider. In particular, the Company will assist Internet companies, as well as offline companies with the potential to convert into online companies, on e-business and technology development. The Company will also help these clients to re-brand their online businesses through an "iBranding" consulting business arm, which will be established by the Company after completion of the Proposal. It is anticipated that KSA's business will be utilised as the platform for the Group's future "iBranding" business. The Company will also provide specialised corporate finance advisory services to Internet and technology companies and will assist them to raise private and public equity capital. In future, the Company may also diversify into investment in companies that conduct Internet and technology related businesses. However, the existing and future directors of the Company have no specific plan or targets identified at present.

Given the Company's new Internet-focused corporate strategy, the growth of the Internet sector in the Asia Pacific region, and the Company's aim to provide a whole range of services from e-business consulting to equity fund raising to Internet companies, the existing and future directors of the Company are positive about the business prospects of the Company.

CHANGE OF BOARD COMPOSITION

It is expected that upon completion of the e2-Capital Acquisition, all of the existing eight directors of the Company, other than Fung Ka Pun, will resign and Wong Sin Just will join the board of directors of the Company as an executive director. Tam Yuk Ching, Jenny will serve as the alternate director to Wong Sin Just. Two new independent non-executive directors will also be appointed upon completion of the e2-Capital Acquisition. It is presently intended that Fung Ka Pun will be re-appointed as Chairman. Wong Sin Just will be appointed as Chief Executive Officer of the Company. As such, the board of directors of the Company would comprise four directors, including two independent non-executive directors.

Particulars of the proposed new executive director of the Company and his alternate are set out below:

- Wong Sin Just, B. Eng., A.C.A., aged 34, is the Chairman, Chief Executive Officer and co-founder of e2-Capital. Mr. Wong possesses over 10 years of investment banking and financial experience with a number of premier international investment banks, including BNP Prime Peregrine Securities Limited, ABN Amro Asia Corporate Finance Limited, Nomura International (Hong Kong) Limited and Standard Chartered Asia Limited. Prior to establishing e2-Capital, Mr. Wong was the Managing Director and Head of Equity Capital Markets at BNP Prime Peregrine Securities Limited.

- Tam Yuk Ching, Jenny, B.Sc., M.A., A.I.C.P.A., aged 37, is the Managing Director and co-founder of e2-Capital. Ms. Tam has over 11 years of investment banking experience with a number of premier investment banks. Ms. Tam's experience includes being Sales Director of Kim Eng Securities (HK) Limited and HG Asia Limited (subsequently renamed as ABN Amro Asia Limited) and research analyst for Asian equity at Morgan Stanley.

PROPOSED CHANGE OF NAME

It is intended that the English name of the Company will be changed to "e2-Capital (Holdings) Limited" as soon as practicable after completion of the e2-Capital Acquisition to reflect the diversification of the Company's business to include Internet and technology-related activities in future. The proposed change of name is subject to approval by the Shareholders at the Special General Meeting.

INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of the Company consists of 1,000,000,000 Shares, of which 579,272,336 Shares are in issue and fully paid as at the date of this circular. The directors of the Company propose to increase the authorised share capital of the Company from US$100,000,000 (approximately HK$775,000,000) to US$200,000,000 (approximately HK$1,550,000,000) by the creation of an additional 1,000,000,000 Shares. The proposed increase in the authorised share capital of the Company is subject to approval by the Shareholders at the Special General Meeting.

LISTING AND DEALING

An application has been made to the Stock Exchange for listing of, and permission to deal in, the new Shares to be issued under the Proposal.

It is the intention of the future directors of the Company to maintain the listing of the Shares on the Stock Exchange after completion of the e2-Capital Acquisition. Accordingly, the existing director who will not resign at completion of the e2-Capital Acquisition, the future directors of the Company and the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that it will closely monitor trading in the Shares if less than 25% of the Shares are held by the public. If the Stock Exchange believes that: (i) a false market exists or may exist in the Shares; or (ii) there are too few Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares. The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. The Stock Exchange has the discretion to require the Company to issue a circular to its Shareholders irrespective of the size of the proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of transactions and any such transaction may result in the Company being treated as if it were a new listing applicant.

GENERAL MANDATES

In view of the enlargement of the issued share capital of the Company, the directors of the Company have proposed resolutions to grant: (i) the New Issue Mandate to authorise the directors of the Company to exercise the powers of the Company to issue Shares not exceeding 20% of the issued share capital of the Company as enlarged upon completion of the e2-Capital Acquisition, the PCL Acquisition, the GFS Acquisition and/or the Share Placing; and (ii) the Repurchase Mandate to authorise the directors of the Company to exercise the powers of the Company to repurchase Shares not exceeding 10% of the issued share capital of the Company as enlarged upon completion of the e2-Capital Acquisition, the PCL Acquisition, the GFS Acquisition and/or the Share Placing.

The reason for the proposed grant of the General Mandates is to expand the mandates the Company currently has in place to ensure that the Shares issued in connection with the transactions contemplated under the Proposal will be included in calculating the number of Shares which are permitted to be allotted, issued or otherwise dealt with or repurchased by the Company under the General Mandates. The directors of the Company believe that it is in the interests of the Company and the Shareholders as a whole that the General Mandates are granted at the Special General Meeting. An explanatory statement to provide the Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution concerning the Repurchase Mandate is set out in Appendix VII to this circular.

SPECIAL GENERAL MEETING

The Special General Meeting is to be held at The Hong Kong Bankers Club, 43rd-44th Floor, Gloucester Tower, The Landmark, Hong Kong at 10:30 a.m. on Monday, 17th April, 2000. A notice of the Special General Meeting is set out on pages 93 to 97 of this circular. At the Special General Meeting, resolutions relating to the increase in the authorised share capital, the e2-Capital Acquisition, the granting of the Boxmore Option, the issue of Shares in connection with the Proposal, the Company's change of name and the granting of the General Mandates will be proposed.

Goodwill International and Fung Ka Pun, the single largest shareholder of Goodwill International, will vote on all the resolutions to be proposed at the Special General Meeting except for the resolution to approve the granting of the Boxmore Option on which they will both abstain.

A form of proxy for use at the Special General Meeting is enclosed. Shareholders are requested to complete the enclosed form of proxy and return the same to the Company's share registrars, Progressive Registration Limited, 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time of the Special General Meeting (or any adjourned meeting thereof) whether or not they intend to be present at the meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Special General Meeting or any adjourned meeting should they so wish.

An announcement will be made by the Company following conclusion of the Special General Meeting to inform the Shareholders of the results of the Special General Meeting.

RECOMMENDATIONS

Recommendation of the Independent Board Committee

DBS has been appointed to advise the Independent Board Committee on the e2-Capital Acquisition and the Boxmore Option. The Independent Board Committee, having taken into account the advice of DBS, considers that the terms of the e2-Capital Acquisition and the Boxmore Option are fair and reasonable so far as the Shareholders (in the case of the e2-Capital Acquisition) and the Independent Shareholders (in the case of the Boxmore Option) are concerned and recommends that the Shareholders vote in favour of the ordinary resolution relating to the e2-Capital Acquisition Agreement and that the Independent Shareholders vote in favour of the ordinary resolution relating to the Boxmore Option Agreement, both of which are to be proposed at the Special General Meeting. The letter of advice from the Independent Board Committee is set out on pages 26 to 27 of this circular.

Recommendation of the Directors of the Company

The directors of the Company also recommend you vote in favour of the other resolutions to be proposed at the Special General Meeting in relation to the increase in the authorised share capital of the Company, the issue of Shares in connection with the Proposal, the granting of the General Mandates and the changing of the Company's name.

ADDITIONAL INFORMATION

Your attention is drawn to: (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular which contains its recommendations as to voting at the Special General Meeting to the Shareholders regarding the e2-Capital Acquisition and to the Independent Shareholders regarding the granting of the Boxmore Option; and (ii) the letter of advice from DBS set out on pages 28 to 33 to this circular which contains its recommendation to the Independent Board Committee in connection with the e2-Capital Acquisition and the granting of the Boxmore Option. Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Fung Ka Pun
Chairman and Managing Director

GOODWILL INVESTMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

25th March, 2000

To the Shareholders

Dear Sir or Madam,

ACQUISITION OF e2-CAPITAL LIMITED
(MAJOR AND CONNECTED TRANSACTION)

GRANTING OF OPTION TO GOODWILL INTERNATIONAL (HOLDINGS) LIMITED
TO ACQUIRE AN INTEREST IN BOXMORE LIMITED
(CONNECTED TRANSACTION)

We refer to the circular of Goodwill Investment (Holdings) Limited dated 25th March, 2000 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

As the Boxmore Option and the e2-Capital Acquisition constitute connected transactions under the Listing Rules and are subject to the approval of the Independent Shareholders (in the case of the Boxmore Option) and the Shareholders (in the case of the e2-Capital Acquisition) at the Special General Meeting, we have been appointed as members of the Independent Board Committee to advise the Independent Shareholders and the Shareholders in this regard. For this purpose, DBS has been appointed to advise the Independent Board Committee in relation to the above connected transactions.

We urge you to read the letter of the Chairman contained in the Circular that sets out the details and background of the connected transactions and actions to be taken by the Independent Shareholders and the Shareholders.

As members of the Independent Board Committee, we have discussed the rationale of the above connected transactions with the management of the Company. We have also discussed with DBS as to the basis upon which its advice has been given to us. We have considered the principal factors and reasons taken into account by DBS in arriving at its opinion regarding the above connected transactions as set out in its letter on pages 28 to 33 of the Circular. In this regard, we urge you to read the letter from DBS.

Having regard to the opinion of DBS, we agree with the views of DBS and consider the terms of the e2-Capital Acquisition and the Boxmore Option to be fair and reasonable so far as the Shareholders (in the case of the e2-Capital Acquisition) and the Independent Shareholders (in the case of the Boxmore Option) are concerned. Accordingly, we would recommend that the Shareholders vote in favour of the ordinary resolution relating to the e2-Capital Acquisition Agreement and the Independent Shareholders vote in favour of the ordinary resolution relating to the Boxmore Option Agreement, both of which are to be proposed at the Special General Meeting.

Yours faithfully,
the Independent Board Committee

GUO Peinan
Independent Non-Executive Director

NGAN On Tak, Andy
Independent Non-Executive Director

DBS ASIA CAPITAL LIMITED

26th Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

25th March, 2000

The Independent Board Committee
Goodwill Investment (Holdings) Limited
20th Floor, Henley Building
Five Queen's Road Central
Hong Kong

Dear Sirs,

CONNECTED TRANSACTIONS RELATING TO THE e2-CAPITAL ACQUISITION AND THE BOXMORE OPTION

We refer to our appointment as independent financial adviser to the Independent Board Committee in relation to the e2-Capital Acquisition and the Boxmore Option as described in the letter from the Chairman contained in the circular of the Company dated 25th March, 2000 to Shareholders (the "Circular"). Our letter is made for incorporation into the Circular.

Details and background of the e2-Capital Acquisition and the Boxmore Option are set out in the letter from the Chairman in the Circular. Our role as independent financial adviser is to give our opinion as to whether the terms of the above mentioned connected transactions are fair and reasonable so far as the Independent Shareholders (in the case of the Boxmore Option) and the Shareholders (in the case of the e2-Capital Acquisition) are concerned. Capitalised terms used in this letter have the same meanings in the Circular.

In putting forth our recommendation in respect of the e2-Capital Acquisition, we have relied on e2-Capital to provide us with all relevant information including e2-Capital's audited accounts for the period from 20th September, 1999 (the date of its incorporation) to 31st December, 1999 and its unaudited management accounts for the two months ended 29th February, 2000. We have also relied on representations made by e2-Capital in respect of its existing businesses and investments made to date. We have also considered the report prepared by Chesterton Petty on its business valuation of e2-Capital. In this regard, we have discussed the basis and methodology used by Chesterton Petty in such business valuation and are of the view that the basis and methodology used are appropriate. In considering the Boxmore Option, we have relied upon the Company to provide us with the audited accounts of the Winbox Group for the two years ended 31st March, 1999 and its unaudited management accounts for the nine months ended 31st December, 1999.

We have assumed that all representations by the management of e2-Capital with regard to e2-Capital and by the Company relating to the Winbox Group were true at the time they were made and continue to be true as at the date of the Circular. We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our recommendations.

The directors of the Company have also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading. We have not, however, for the purpose of this exercise, conducted any form of detailed investigation or audit into the businesses or affairs of either e2-Capital or the Winbox Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE E2-CAPITAL ACQUISITION

In arriving at our opinion on the terms of the e2-Capital Acquisition Agreement, we have taken into consideration the following factors and reasons:

1. **e2-Capital's management**

e2-Capital's management mainly comprises Wong Sin Just and Tam Yuk Ching, Jenny both of whom are seasoned professionals in the securities and investment banking sector with a combined working experience of 21 years. Prior to the setting up of e2-Capital in September 1999, Mr. Wong was Managing Director and Head of Asian Equity Capital Markets at BNP Prime Peregrine Securities Limited from June 1998 to October 1999 and was Director and Head of Greater China Equity Capital Markets at ABN AMRO Asia Corporate Finance Limited from June 1996 to June 1998. Before that, he was employed in the investment banking divisions of Nomura International (Hong Kong) Limited, ABN AMRO Asia Corporate Finance Limited and Standard Chartered Asia Limited. During that time, he was primarily involved in investment banking, focusing on advising companies both in Hong Kong and in the region on corporate finance transactions, including initial public offerings, reverse take-overs and raising equity and equity related capital. Companies with which Mr. Wong was involved or was instrumental to the structuring of their corporate finance transactions and fund raising activities in recent years include Pacific Century CyberWorks Limited, New World Cyberbase Limited, e-New Media Company Limited, Sino-i.com Limited, Hengan International Company Limited, Yanzhou Coal Mining Company Limited, Citic Ka Wah Bank Limited, Cheung Wah Development Company Limited, Ocean Information Holdings Limited and hongkong.com Corporation.

Ms. Tam was a director of sales at Kim Eng Securities (HK) Limited before joining e2-Capital and was actively involved in providing investment advice to both institutions and private clients. In addition, she was responsible for co-ordinating research activities and ensuring regulatory compliance in respect of trading activities. She is a member of the American Institute of Certified Public Accountants.

Upon completion of the e2-Capital Acquisition Agreement, both Mr. Wong and Ms. Tam are expected to enter into service agreements with the Company for a period of two years. Under such service agreements, both of them are expected to agree not to engage in any business in Hong Kong or other Asian countries that may compete with the Group's businesses during the term of their employment and for a period of one year after the expiry or termination of such agreements.

2. **Business of e2-Capital**

e2-Capital is a registered dealer and investment adviser in Hong Kong and its main business is to provide financial and business advisory services to both local and overseas corporations in the Internet and technology sector as well as to assist those companies in equity fund raising. Since its establishment, e2-Capital has been particularly active in assisting both private and listed Internet and technology companies in raising equity capital. In January and February this year, e2-Capital advised a number of companies either in equity fund raising or the deployment of Internet technology in their existing businesses. Such deployment includes advising those companies to convert their existing businesses on-line and to develop e-commerce solutions.

As e2-Capital is primarily involved in Hong Kong equity capital market transactions, its business will, to a large extent, depend on the fund raising activities of both listed and private companies in the territory and will be affected by Hong Kong stock market conditions. In the first two months of this year, corporate fund raising activities, buoyed by initial public offerings at the Growth Enterprise Market as well as mergers and acquisitions of listed companies, have increased significantly compared to that in 1999. Particularly noteworthy to mention is Pacific Century CyberWorks Limited's US$1 billion share placement, the largest secondary share placement exercise in Hong Kong history, in connection with its bid for Cable & Wireless HKT Limited in February 2000. We also noted that amongst the companies engaged in fund raising exercises conducted in recent months, most are Internet related or associated with the telecom sector. Such activities and developments, in our view, created a favourable business environment for companies like e2-Capital that focus on providing financial and business advisory services to the Internet and technology sector.

3. **Financial track record of e2-Capital**

e2-Capital has a short financial track record as it was established in September 1999. For the period from its incorporation to 31st December, 1999, its audited gross revenue was HK$1.05 million and its net loss was HK$1.05 million. The results were attributable to the fact that the company was at an initial start-up stage. For the two months to 29th February, 2000, the company had total gross revenue of HK$32.9 million and registered an unaudited after-tax net income of approximately HK$24.0 million. The increases in gross revenue and profits were due to increased activity in equity fund-raising exercises and Internet-related advisory services undertaken by the company.

4. **Business valuation of e2-Capital**

Chesterton Petty has prepared a business valuation on e2-Capital and has arrived at a market valuation of HK$490 million. We understand the valuation was prepared based on the projections of e2-Capital's cash flows prepared by the management of e2-Capital for the three-year period to 2002 and was arrived at discounting such projected cash flows to the present, using a discount rate of 30%.

We have considered the cash flow projections of e2-Capital for the above three-year period. Although such projections are bound to be affected by stock market conditions in Hong Kong and Asia, we are of the view that the projections are realistic, given the current stock market environment due to the following reasons:

— for the period from its incorporation in September 1999 to February 2000, e2-Capital's gross revenue and net profit were approximately HK$33.9 million and HK$22.9 million respectively. In particular, the two months to 29th February, 2000 witnessed a particular increase in equity capital market activities, resulting in the generation of gross revenue of HK$32.9 million and net profit of HK$24.0 million; and

— the track record of the management of e2-Capital in investment banking and equity fund raising exercises.

The discount rate of 30% used by Chesterton Petty in its calculation is in our view appropriate as it reflects the current rate of return normally required for the industry.

In its calculation, Chesterton Petty has also assigned a terminal value for e2-Capital at the end of 2002. Such terminal value was arrived at multiplying the company's projected cash flow in 2002 by a multiple of 4.3 ("Terminal Multiple"), assuming that the businesses of e2-Capital would be sold towards the end of 2002. The Terminal Multiple used is lower than the prospective price earnings multiple range of between 5 to 20 times applicable to three other listed companies in Hong Kong engaged in similar line of businesses as e2-Capital. As the Terminal Multiple represents a discount to the current price-earnings multiple of comparable listed companies in Hong Kong, which we believe is suitable given the fact that e2-Capital is a private company, we are, therefore, of the opinion that the Terminal Multiple used by Chesterton Petty is fair and reasonable.

5. Consideration payable under the e2-Capital Acquisition

As the consideration of HK$348 million payable for the acquisition of e2-Capital represents a discount of approximately 29.0% to the business valuation of HK$490 million by *Chesterton Petty, we are of the opinion that the consideration payable under the* e2-Capital Acquisition Agreement is fair and reasonable so far as the Shareholders are concerned.

The consideration payable under the e2-Capital Acquisition is to be satisfied by the issue of 290 million new Shares at the issue price of HK$1.20 per Share. The HK$1.20 per Share issue price represents:

— a discount of 46.7% to the closing price of HK$2.25 per Share on 11th February, 2000 (the last day of trading in the Shares prior to the Announcement);

— a discount of 16.1 % to the closing price of HK$1.43 per Share as at the Latest Practicable Date; and

— a premium of 3.4% to the Group's latest net tangible assets of approximately HK$1.16 per Share. This is compared to market valuations of listed property companies on the Stock Exchange that are currently trading at a range of between 20% to 60% discounts to their respective net tangible assets.

As the e2-Capital Consideration Shares are to be issued at a premium of 3.4% to the Group's latest net assets per Share, we are of the view that the price at which the e2-Capital Consideration Shares are to be issued is fair and reasonable so far as the Company and the Shareholders are concerned.

6. The Group's business activities

At present, the Group's businesses are property development and investment, manufacturing and direct investments, as well as the provision of financial services. Over the years, the Group's main profit contributor has primarily been property development and investments. However, following the Asian financial crises in 1997, the Group suffered losses in 1998 as a result of a weak property market and the need to make provision for the Group's property portfolio. Given the current state of the property market, we are of the view that the Group's property development business is unlikely to generate significant profits for the Group in the near future. As such, it is important for the Group to seek other sources of revenue and profits. Following the acquisition of e2-Capital, we understand the Group will position itself to benefit from the growth of the Internet sector, with a view to capitalising on its newly acquired expertise in this area. In particular, the Group aims to assist existing Internet companies, and off-line companies with the potential to convert themselves into online, on e-business and technology development. In addition, the Group will provide specialised corporate finance advisory services to Internet and technology companies and will assist them to raise private and public equity capital. Given the current environment that is conducive to raising capital for the development of Internet related activities, we are of the view that the acquisition of e2-Capital serves to diversify the Group's business in this financial sector and is thus beneficial to the Group.

7. Financial impact to the Group

The Group's latest unaudited net tangible assets as at 31st December, 1999 were approximately HK$639.7 million, or HK$1.10 per Share (based on a total of approximately 579.3 million Shares in issue at present). e2-Capital's latest net assets, based on audited net assets of HK$3.75 million as at 31st December, 1999 and adjusted for unaudited results of HK$24.0 million for the two months to 29th February, 2000, were approximately HK$27.7 million.

Upon completion of the e2-Capital Acquisition and before taking into account proceeds from the Share Placing, the Group's net assets would be approximately HK$667.4 million, representing approximately HK$0.77 per Share (calculated based on approximately 869.3 million Shares following the issue of the e2-Capital Consideration Shares). As such, Company will suffer approximately 30% dilution to its net assets per Share. However, the acquisition of e2-Capital is expected to (i) raise the profile of the Group's capabilities in providing financial services, (ii) reduce the Group's reliance on property development and investment income, and (iii) increase the Group's future earnings. Given the above benefits, we are of the view that the Company's net asset per Share dilution as a result of the acquisition is acceptable.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE BOXMORE OPTION

In arriving at our opinion on the terms of the Boxmore Option Agreement, we have taken into consideration the following factors and reasons:

1. Track record of the Winbox Group

The Winbox Group is principally engaged in the manufacture and sale of packaging material for consumer products. For the year ended 31st March, 1999, Winbox Group's audited sales and after-tax profits were approximately HK$82.4 million and HK$23.2 million respectively. The above results represent decreases of 7% in terms of sales and 22% in terms of after-tax profits when compared to results for the year ended 31st March, 1998. For the nine months to 31st December, 1999, its unaudited sales and after-tax profits were approximately HK$66.5 million and HK$21.0 million respectively. Corresponding figures for the nine months to 31st December, 1998 were HK$64.9 million and HK$17.5 million respectively.

2. **Net assets of the Winbox Group**

Based on the audited consolidated net assets of approximately HK$65.9 million as at 31st March, 1999 and adjusted for the unaudited results of HK$21 million for the nine months to 31st December, 1999, Winbox Group's latest pro forma net tangible assets were approximately HK$86.9 million.

3. **Consideration payable upon the exercise of the Boxmore Option**

The consideration payable for the exercise of the Boxmore Option for an 88% effective interest in Winbox is HK$88 million. Based on this consideration, the valuation ("Valuation") of the entire issued share capital of Winbox is HK$100 million. The Valuation represents a multiple of 4.3 times of the audited after-tax profits of HK$23.2 million of the Winbox Group for the year ended 31st March, 1999. It also represents a premium of approximately 15% of Winbox's latest pro forma net tangible assets of HK$86.9 million.

We have compared the Valuation with Qualipak International Holdings Limited ("Qualipak"), a company listed on the Stock Exchange which is engaged in a similar business to that of Winbox. Qualipak is currently trading at a multiple of approximately 3.9 times after-tax earnings for the year ended 31st March, 1999 and at a discount of approximately 23.5% to its latest pro forma net tangible assets. As the Valuation, in terms of price earnings multiple, is higher than that of Qualipak and represents a premium to the latest pro forma net tangible assets of the Winbox Group, we are of the opinion that the Valuation is fair and reasonable so far as the Independent Shareholders are concerned. We are also of the view that even if Winbox were currently to seek a listing on the Stock Exchange, its valuation in terms of price earnings multiple would not be significantly higher than the Valuation applicable under the Boxmore Option. That being the case, we believe it is beneficial to the Group to take the opportunity to dispose of its interest in Boxmore to raise cash for the Group's other business activities.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the e2-Capital Acquisition Agreement are fair and reasonable so far as the Shareholders are concerned and that the terms of the Boxmore Option Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Board Committee to advise the Shareholders (in the case of e2-Capital Acquisition) and the Independent Shareholders (in the case of the Boxmore Option) to vote in favour of the ordinary resolutions relating to the e2-Capital Acquisition Agreement and the Boxmore Option Agreement respectively at the upcoming Special General Meeting.

Yours faithfully,
For and on behalf of
DBS Asia Capital Limited
David Tsang
Managing Director

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated profit and loss accounts of the Group for each of the three years ended 31st December, 1998, the audited consolidated cash flow statements of the Group for each of the two years ended 31st December, 1998 and the audited consolidated balance sheets of the Group as at 31st December, 1998 and 31st December, 1997:

Consolidated Profit and Loss Account

	Notes	For the year ended 31st December, 1998 *HK$'000*	1997 *HK$'000*	1996 *HK$'000*
Turnover	4	526,326	339,936	786,150
Operating (loss) profit	5			
Continuing operations excluding exceptional items		(147,436)	63,148	136,945
Exceptional items		(114,000)	12,802	—
		(261,436)	75,950	136,945
Share of results of associated companies		(22,757)	(22,092)	—
(Loss) profit from ordinary activities before taxation		(284,193)	53,858	136,945
Taxation	8	1,292	7,523	15,590
(Loss) profit before minority interests		(285,485)	46,335	121,355
Minority interests		6,509	5,499	28,708
(Loss) profit for the year	9	(291,994)	40,836	92,647
Dividends	10	—	(32,387)	(27,853)
(Loss) profit for the year, retained	24	(291,994)	8,449	64,794
(Loss) earnings per share				
Basic	11	(50.7) cents	7.1 cents	22.5 cents
Diluted		N/A	7.05 cents	N/A

Consolidated Balance Sheet

	Notes	At 31st December, 1998 HK$'000	1997 HK$'000
FIXED ASSETS	12	16,007	42,923
PROPERTIES UNDER DEVELOPMENT	13	366,446	457,597
SUBSIDIARIES NOT CONSOLIDATED	14	16,142	22,120
INTEREST IN ASSOCIATED COMPANIES	15	26,649	46,842
INVESTMENTS	16	281,971	260,596
NET CURRENT ASSETS	17	127,505	255,725
		834,720	1,085,803
Financed by:			
SHARE CAPITAL	23	447,317	452,287
RESERVES	24	227,624	511,960
SHAREHOLDERS' FUNDS		674,941	964,247
MINORITY INTERESTS	25	28,746	41,898
SECURED BANK LOANS: NON-CURRENT PORTION	22	131,033	79,658
		834,720	1,085,803

Consolidated Cash Flow Statement

	Notes	For the year ended 31st December, **1998** *HK$'000*	**1997** *HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	27	187,809	22,909
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(49,296)	(30,807)
Dividends paid		(20,212)	(30,695)
Dividends paid to minority shareholders		(6,883)	(6,165)
Interest received		68	2,557
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(76,323)	(65,110)
TAXATION			
Hong Kong Profits Tax paid		(4,910)	(5,629)
INVESTING ACTIVITIES			
Purchase of investments		(17,126)	(56,395)
Acquisition of additional interest in subsidiaries		(8,505)	—
Loan to investee companies		(4,639)	(20,530)
Expenditure incurred in properties under development		(1,863)	(246,933)
Purchase of fixed assets		(604)	(10,269)
Proceeds from disposal of fixed assets		18,000	43,000
Investment in interest in subsidiaries not consolidated		—	(44,650)
Repayment from subsidiaries not consolidated		978	—
Proceeds from sale of investments		390	7,480
Investment in associated companies		—	(20,000)
Repayment from associated companies		—	194,358
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	29	—	104,745
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(13,369)	(49,194)
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		93,207	(97,024)

	Note	For the year ended 31st December, 1998 HK$'000	1997 HK$'000
FINANCING	30		
Repayment of bank loans		(128,110)	(10,042)
Repurchase of own shares		(4,591)	(856)
New bank loans		25,000	131,425
Advances from minority shareholders		1,409	24,251
Issue of new shares		1	40,153
Repayment of advances from financial institutions		—	(104,116)
Expenses incurred in connection with the issue of shares		—	(1,080)
Issue of warrants		—	14,500
NET CASH (OUTFLOW) INFLOW FROM FINANCING		(106,291)	94,235
DECREASE IN CASH AND CASH EQUIVALENTS		(13,084)	(2,789)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		161,158	163,947
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		148,074	161,158
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		148,074	161,158

Notes to the Financial Statements
For the year ended 31st December, 1998

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Goodwill International (Holdings) Limited, a private limited company incorporated in Hong Kong.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants:

SSAP 5 (Revised)	Earnings Per Share
SSAP 20	Related Party Disclosures
SSAP 22	Inventories

The adoption of SSAP 5 (Revised) has resulted in some modifications to the basis of calculation of earnings per share amounts and to the disclosures presented for earnings per share (see note 11). Amounts presented for prior year have been restated to reflect the requirement of SSAP 5.

SSAP 20 requires the disclosures of details of transactions with specified related parties (see note 36).

SSAP 22 specifies the accounting treatment to be adopted for inventories. The adoption of the new standard has resulted in some changes in terminology and presentation, but does not have an effect on the profit for the current or prior accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, except subsidiaries not consolidated, made up to 31st December each year.

Where an interest in a subsidiary was acquired with the intention that control be temporary, the interest is accounted for as a short-term investment and is included in the balance sheet at the lower of cost and net realisable value.

The results of subsidiaries and associated companies acquired or disposed of during the year are included in the consolidated profit and loss account, where appropriate, from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets at the date of acquisition of a business, including an interest in a subsidiary, is written off directly to reserves immediately on acquisition or where appropriate, amortised on a straight line basis over its useful economic life, not exceeding twenty years. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associated company, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associated company at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of a subsidiary or associated company, the attributable amount of goodwill or capital reserve previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associated company.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for any permanent diminution in value.

Turnover

Turnover represents proceeds from disposal of completed properties, proceeds from presale of properties recognised on a percentage of completion basis, rental income, brokerage income, income from margin finance provided to customers for the purchase of listed securities and for subscription to new share issues, advisory fee income, net amounts received and receivable for goods sold to outside customers, proceeds from disposal of securities and unlisted investments, bank interest income and dividend income.

Revenue recognition

Profit from the sale of completed properties is recognised on execution of a binding sales agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sales agreement to the completion of development on the basis of development costs to date as a proportion of estimated total development costs.

Rental income, including rental invoiced in advance on properties under operating leases, is recognised on a straight line basis over the relevant lease term.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Brokerage and advisory fee income is recognised for rendering of services when the service is rendered, the income can be reliably estimated and it is probable that the revenue will be received.

Sale of goods is recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Proceeds from disposal of securities and unlisted investments are recognised when a sale and purchase contract is entered into.

Fixed assets, depreciation and amortisation

Fixed assets, other than investment properties and properties under development, are stated at cost less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

The gain or loss arising from disposal or retirement asset other than investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation and amortisation is provided to write off the cost of fixed assets, other than investment properties and properties under development, over their estimated useful lives, using the straight line method, at the following rates per annum:

Land held on medium-term leases	Over the term of the relevant lease
Buildings	2%
Leasehold improvements	20% - 33⅓%
Furniture, fixtures and equipment	20%
Plant and machinery	20%
Moulds	20%
Motor vehicles	20%

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on translation are dealt with in the profit and loss account.

On consolidation the financial statements of overseas subsidiaries, which are denominated in currencies other than Hong Kong dollars, are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation, if any, are dealt with in reserves.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the relevant lease.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Associated companies

An associated company is an enterprise, other than a subsidiary, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence in management, including participation in financial and operating policy decisions.

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associated companies for the year. In the consolidated balance sheet, interest in associated companies is stated at the Group's share of the net assets.

Where the Group transacts with its associated companies, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associated companies, except where unrealised losses provide evidence of an impairment of the asset transferred.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length basis.

Investment properties are stated at their open market value based on a professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of such properties, the attributable revaluation surplus is included in the determination of profit or loss on disposals of the properties.

No depreciation is provided for investment properties which are held on leases with an unexpired term of more than 20 years.

Investments and trading securities

Listed and unlisted investments held for long-term purposes are stated at cost less provision, if necessary, for any permanent diminution in value.

Short-term unlisted investment are stated at the lower of cost and net realisable value.

Trading securities held for short-term trading purposes are stated at the lower of cost and market value on an individual investment basis.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Properties under development

Properties under development for sale are stated at cost plus attributable profits less foreseeable losses and deposits received from presale. Cost includes land cost, construction cost, interest, finance charges and other direct cost attributable to the development of the properties. Foreseeable losses represent estimated or actual selling price less all costs to completion and selling expenses.

Properties under development with the intention for holding for long-term purposes when completed or no decision has yet been decided on their purposes are included in the balance sheet as non-current assets and stated at cost, less provision, if necessary.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes interest, finance charges, professional fees and other direct costs attributable to such properties until they reach a marketable state. Net realisable value represents the estimated selling price less all costs to completion and costs to be incurred in selling.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

4. **TURNOVER**

Turnover comprises:

	1998 *HK$'000*	**1997** *HK$'000*
Sales of goods, properties and investments	512,561	291,691
Brokerage commission and advisory fee income	—	31,866
Interest and dividend income	13,197	8,818
Interest from margin financing	—	6,305
Rental income	568	1,256
	526,326	339,936

5. OPERATING (LOSS) PROFIT

	1998 *HK$'000*	1997 *HK$'000*
Operating (loss) profit has been arrived at after charging:		
Amortisation of goodwill of subsidiaries not consolidated	5,000	—
Auditors' remuneration	270	450
Deficit on revaluation of investment properties	—	1,609
Depreciation and amortisation	3,511	3,011
Interest on borrowings		
— wholly repayable within five years	49,296	27,370
— not wholly repayable within five years	—	3,437
Less: Amount capitalised to properties under development	(23,070)	(25,873)
	26,226	4,934
Loss on disposal of trading securities	276	—
Operating lease payments on land and buildings	9,202	9,506
Preliminary expenses	11	—
Provision for short-term investments	5,000	—
Provision for trading securities	2,750	4,600
Provision for obsolete inventories	636	—
Retirement benefits scheme contributions net of forfeited contributions of approximately HK$546,000 (1997: HK$43,000)	—	413
and after crediting:		
Compensation received from an insurance company in respect of a performance bond issued for a property developed in previous years	3,588	—
Dividend income from listed investments	224	114
Gross rents from properties	818	1,256
Less: Outgoings	(52)	(114)
	766	1,142
Interest income from associated companies	68	2,557
Interest income from banks and customers	12,973	15,009

6. DIRECTORS' EMOLUMENTS

	1998 *HK$'000*	1997 *HK$'000*
Directors' fees		
Executive	—	300
Non-executive	—	50
Independent non-executive	—	70
Other emoluments (executive directors)		
Salaries and other benefits	6,723	6,675
Contributions to retirement benefits scheme	336	256
	7,059	7,351

Emoluments of the directors were within the following bands:

	1998 *No. of director*	1997 *No. of director*
HK$nil to HK$1,000,000	8	10
HK$1,000,001 to HK$1,500,000	1	1
HK$3,000,001 to HK$3,500,000	1	—
HK$4,500,001 to HK$5,000,000	—	1

7. EMPLOYEES' EMOLUMENTS

The five highest paid individuals were all directors, details of whose emoluments are set out in note 6 above.

8. TAXATION

	1998 *HK$'000*	1997 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	1,290	10,607
Overprovision in the previous year	—	(3,353)
Deferred taxation	—	(18)
Share of tax on results of associated companies	2	287
	1,292	7,523

Hong Kong Profits Tax is calculated at 16% (1997: 16.5%) on the estimated assessable profit for the year.

Details of the potential deferred tax credit not provided for in the year are set out in note 26.

9. (LOSS) PROFIT FOR THE YEAR

Of the Group's loss for the year of approximately HK$291,994,000 (1997: profit of HK$40,836,000), a loss of approximately HK$323,138,000 (1997: profit of HK$2,983,000) has been dealt with in the financial statements of the Company, and a loss of approximately HK$22,759,000 (1997: HK$22,379,000) is attributable to the associated companies.

10. DIVIDENDS

	1998 *HK$'000*	1997 *HK$'000*
Interim, nil (1997: HK$2 cents) per share	—	11,612
Final, nil (1997: HK$3.5 cents) per share	—	20,212
Additional prior year's dividend paid as a result of exercise of warrants and options subsequent to the date of issue of the annual report	—	563
	—	32,387

11. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	1998 HK$	1997 HK$
(Loss) profit for the year for the purposes of basic and diluted (loss) earnings per share	(291,994,000)	40,836,000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	575,542,932	572,218,792
Effect of dilutive potential ordinary shares		
Options	—	3,788,295
Warrants	—	3,090,687
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	575,542,932	579,097,774

The weighted average number of ordinary shares for the purposes of basic earnings per share for the year ended 31st December, 1997 had been adjusted for the bonus issue on 5th May, 1997.

The computation of diluted loss per share for the year ended 31st December, 1998 does not assume the exercise of the Company's outstanding share options and warrants as the exercise prices are higher than the fair value per share.

12. FIXED ASSETS

	Leasehold land and buildings HK$'000	Investment properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1st January, 1998	11,874	24,000	5,547	3,730	6,705	4,947	1,210	58,013
Additions	—	—	55	83	8	458	—	604
Disposals	—	(24,000)	—	(14)	—	—	—	(24,014)
At 31st December, 1998	11,874	—	5,602	3,799	6,713	5,405	1,210	34,603
DEPRECIATION AND AMORTISATION								
At 1st January, 1998	550	—	1,898	2,512	5,436	4,153	541	15,090
Provided for the year	235	—	1,451	387	630	617	191	3,511
Eliminated on disposals	—	—	—	(5)	—	—	—	(5)
At 31st December, 1998	785	—	3,349	2,894	6,066	4,770	732	18,596
NET BOOK VALUES								
At 31st December, 1998	11,089	—	2,253	905	647	635	478	16,007
At 31st December, 1997	11,324	24,000	3,649	1,218	1,269	794	669	42,923

13. PROPERTIES UNDER DEVELOPMENT

	1998 HK$'000	1997 HK$'000
AT COST		
At 1st January	457,597	530,885
Additions	22,849	272,806
Reclassified to current assets *(note 17)*	—	(346,094)
Less: provision	(114,000)	—
At 31st December	366,446	457,597

The properties under development are situated in Hong Kong and the relevant lease terms are summarised as follows:

	1998 HK$'000	1997 HK$'000
Properties under development held under long leases	163,836	254,367
Properties under development held under medium-term leases	202,610	203,230
	366,446	457,597

As at 31st December, 1998, interest expenses capitalised in the cost of properties under development held on 31st December, 1998 amounted to HK$39,485,000 (1997: HK$18,499,000).

14. SUBSIDIARIES NOT CONSOLIDATED

	1998 HK$'000	1997 HK$'000
Share of net assets, including goodwill of approximately HK$4,537,000 (1997: HK$9,537,000)	17,530	22,530
Amounts due from subsidiaries	630	826
Amount due to subsidiaries	(2,018)	(1,236)
	16,142	22,120

In 1997, the Group acquired a number of subsidiaries which are principally engaged in the manufacture and sale of flour (the "Flourmill Subsidiaries") in the People's Republic of China for a consideration of approximately HK$45,060,000. Upon acquisition of the Flourmill Subsidiaries, the Group's stated intention was not to hold more than 50% equity interest of the Flourmill Subsidiaries for long term. This intention remains and the Group has continued during the year to actively negotiate with potential investors for the disposal of the 50% equity interest in the Flourmill Subsidiaries. While the prevailing economic environment has not been conducive to attract investors, the directors expected that 50% equity interest of the Flourmill Subsidiaries can be disposed of during the year ending 31st December, 1999. As such, 50% of the investment cost of approximately HK$22,530,000, net of a write down amounted to HK$5,000,000, is still classified as short-term investments in current assets.

Particulars of the Company's subsidiaries not consolidated as at 31st December, 1998 are as follows:

Name of subsidiary	Place of incorporation/ operation	Proportion of nominal value of issued share capital/registered capital held indirectly by the Company %	Principal activities
Capital Champion International Limited	Hong Kong	100	Inactive
Capital Master International Limited	Hong Kong	100	Inactive
Capital Star International Limited	Hong Kong	100	Investment holding
Golden Prima Flour Group Limited	Hong Kong	100	Investment holding
Kinsen Limited	Hong Kong	100	Inactive
Mengcheng Hua Feng Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour
Million Universal Limited	Hong Kong	100	Inactive
Polyrife China Limited	Hong Kong	100	Investment holding
Qingdao Ji Xing Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour
Shanghai Hualiang Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour
Wuxi Hua Feng Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour
Xian Renmin Flour Industry Co. Limited	The People's Republic of China	60	Leasing of assets
Xinyi Hua Feng Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour

15. INTEREST IN ASSOCIATED COMPANIES

	1998 *HK$'000*	1997 *HK$'000*
Share of net assets	26,813	49,572
Amounts due from associated companies	248	1,072
Amounts due to associated companies	(412)	(3,802)
	26,649	46,842

Particulars of the Group's principal associated company as at 31st December, 1998 are as follows:

Name of associated company	Place of incorporation	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activity
Goodwill Financial Services (Holdings) Limited ("GFS")	Cayman Islands	40%	Investment holding

The above table lists the associated company of the Group which, in the opinion of the directors, principally affected results or assets of the Group. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.

The summary of financial information of GFS, based on its audited financial statements for the year ended 31st December, 1998, is as follows:

	1998 *HK$'000*	1997 *HK$'000*
Consolidated profit and loss account		
Turnover	180,211	297,821
Exceptional item	(36,289)	(79,500)
Depreciation	1,081	87
Loss before taxation	(56,894)	(40,427)
Loss before taxation attributable to the Group	(22,757)	(22,092)
Consolidated balance sheet		
Current assets	116,735	445,408
Current liabilities	(61,080)	(409,272)
Net current assets	55,655	36,136
Total net assets	65,802	122,700
Group's share of net assets	26,321	49,080

16. INVESTMENTS

	1998 HK$'000	1997 HK$'000
At cost, less provision:		
Listed shares		
— Hong Kong	10,845	10,845
— Overseas	56,774	45,947
Unlisted shares		
— Hong Kong	57,700	57,700
— Overseas	18,098	12,189
Chinese antiques	2,017	2,017
	145,434	128,698
Loans to investee companies	136,537	131,898
	281,971	260,596
Market value of listed shares	18,745	19,806

Included in loans to investee companies is an amount of approximately HK$3,871,000 which is unsecured, bears interest at commercial rate and is repayable in full on 7th July, 2000. The remaining amounts are interest free, unsecured and have no fixed repayment terms.

The directors are of the opinion that the underlying value of the unlisted investments is at least worth their carrying value.

Particulars of the principal investee company as at 31st December, 1998 are as follows:

Name of investee company	Place of incorporation	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activities
Fortune Top Properties Limited	Hong Kong	19.996%	Property development

17. NET CURRENT ASSETS

	1998 HK$'000	1997 HK$'000
CURRENT ASSETS		
Properties under development for sale *(note 18)*	—	346,094
Properties held for sale *(note 19)*	50,091	—
Inventories *(note 20)*	14,348	16,617
Receivables, prepayments and deposits	70,698	16,025
Short-term investments *(note 14)*	17,530	22,530
Trading securities *(note 21)*	6,085	7,765
Tax recoverable	—	2
Bank balances and cash	148,074	161,158
	306,826	570,191
CURRENT LIABILITIES		
Payables, deposits received and accruals	80,560	35,834
Taxation	8,771	12,393
Proposed dividend	—	20,212
Dividend payable to minority shareholders	—	1,596
Secured bank loans — current portion *(note 22)*	89,940	244,425
Amount due to ultimate holding company	50	6
	179,321	314,466
NET CURRENT ASSETS	127,505	255,725

18. PROPERTIES UNDER DEVELOPMENT FOR SALE

	1998 HK$'000	1997 HK$'000
COST		
At 1st January	346,094	—
Reclassified from properties under development *(note 13)*	—	346,094
Additions	244,270	—
	590,364	346,094
Less: reclassified to properties held for sale upon completion of development	(590,364)	—
At 31st December	—	346,094

Up to the balance sheet date, interest expenses capitalised in the cost of properties under development for sale amounted to HK$nil (1997: HK$16,382,000).

19. PROPERTIES HELD FOR SALE

	1998	1997
	HK$'000	*HK$'000*
COST		
Reclassified from properties under development for sale upon completion of development	590,364	—
Sold during the year	(540,273)	—
At 31st December	50,091	—

The properties are situated in Hong Kong and are held under medium-term leases which expire on 30th June, 2047.

Up to the balance sheet date, interest expenses capitalised in the cost of properties held for sale amounted to HK$2,084,000 (1997: HK$nil).

Included above are properties held for sale of HK$50,091,000 (1997: Nil) which are carried at net realisable value.

20. INVENTORIES

	1998	1997
	HK$'000	*HK$'000*
Raw materials	11,305	11,732
Work in progress	1,360	1,189
Finished goods	1,683	3,696
	14,348	16,617

The cost of inventories recognised as an expense during the year was HK$48,774,000 (1997: HK$51,785,000).

Included above are raw materials of approximately HK$1,614,000 (1997: HK$2,250,000) which are carried at net realisable value.

21. TRADING SECURITIES

	1998	1997
	HK$'000	*HK$'000*
Shares and warrants listed in Hong Kong, at cost less provision	6,085	7,765
Market value	6,097	7,808

22. SECURED BANK LOANS

	1998 *HK$'000*	1997 *HK$'000*
The schedule of the principal repayments is as follows:		
Within one year	89,940	244,425
One to two years	86,775	35,900
Two to five years	44,258	17,700
Over five years	—	26,058
	220,973	324,083
Less: Amount due within one year included in current liabilities *(note 17)*	(89,940)	(244,425)
Non current portion of secured bank loans	131,033	79,658

23. SHARE CAPITAL

Share capital

	Number of ordinary shares of US$0.10 each	Nominal value *US$'000*
Authorised:		
At 1st January, 1998 and 31st December, 1998	1,000,000,000	100,000
Issued and fully paid:		
At 1st January, 1998	579,855,216	57,985
Exercise of warrant subscription rights	120	1
Shares repurchased and cancelled	(6,372,000)	(637)
At 31st December, 1998	573,483,336	57,349

	1998 *HK$'000*	1997 *HK$'000*
Shown in the financial statements as	447,317	452,287

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of US$0.10 each	Price per share Highest	Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
January 1998	1,532,000	0.87	0.54	1,148,420
February 1998	842,000	0.67	0.59	538,820
April 1998	1,068,000	0.75	0.69	781,920
June 1998	234,000	0.60	0.51	138,620
July 1998	2,696,000	0.75	0.71	1,964,240
	6,372,000			4,572,020

The above shares were cancelled upon repurchase.

Share option scheme

On 15th December, 1992, a share option scheme was approved at a special general meeting of the Company. Under the scheme, the directors may, at their discretion, invite employees of the Company and its subsidiaries, including full time executive directors, to take up options to subscribe for shares which in aggregate, may not exceed 10% of the issued share capital of the Company from time to time. The subscription price for the shares in respect of which options are granted will be the higher of the nominal value and 80% of the average closing price of the shares on the Stock Exchange on the five trading days immediately preceding the grant of any option. No option may be exercised later than ten years after it has been granted and no option may be granted more than ten years after the date of approval of the scheme.

A summary of the movements in the share options during the year is as follows:

Date of grant	Exercise price	Number of share options Balance at 1.1.1998	Granted during the year	Lapsed during the year	Balance at 31.12.1998
	HK$				
17th March, 1997	1.77	12,749,000	—	1,650,000	11,099,000
1st August, 1997	2.68	1,050,000	—	—	1,050,000
5th August, 1997	2.67	300,000	—	—	300,000
23rd April, 1998	0.80	—	4,000,000	—	4,000,000

The remaining options can be exercised at any time up to 14th December, 2002.

Warrants

During the year, a registered holder of "1998 June warrant" exercised his right to subscribe for 120 ordinary shares in the Company at HK$2.0 per share. The "1998 June warrant" and "1998 September warrant" lapsed on 30th June, 1998 and 30th September, 1998 respectively.

All shares issued during the year rank pari passu with the existing shares in all respects.

24. RESERVES

	Contributed surplus	Share premium	Other reserve	(Goodwill) capital reserve	(Deficit) retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 1998	45,240	836,101	14,500	(432,812)	48,931	511,960
Issue of new shares on exercise of warrants	—	1	—	—	—	1
Reserve arising from shares repurchased	—	—	379	—	—	379
Goodwill on purchase of additional interest in subsidiaries	—	—	—	7,278	—	7,278
Transfer from other reserve to retained profits due to expiration of warrants	—	—	(14,500)	—	14,500	—
Loss for the year	—	—	—	—	(291,994)	(291,994)
At 31st December, 1998	45,240	836,102	379	(425,534)	(228,563)	227,624

Included in the above is the Group's share of post-acquisition reserves of its associated companies as follows:

	Contributed surplus	Share premium	Other reserve	(Goodwill) capital reserve	(Deficit) retained profits	Total
At 1st January, 1998	—	—	—	—	(22,379)	(22,379)
Share of associated companies' loss during the year	—	—	—	—	(22,759)	(22,759)
At 31st December, 1998	—	—	—	—	(45,138)	(45,138)

The contributed surplus represents the difference between the shareholders' funds of the Group and the Company as at 15th December, 1992 respectively and the aggregate nominal value of shares issued by the Company under the scheme of arrangement which became effective on that date, less dividend paid and payable from this account afterwards.

25. MINORITY INTERESTS

	1998	1997
	HK$'000	*HK$'000*
The amount comprises:		
Share of net tangible assets	8,680	4,798
Loans from minority shareholders	20,066	37,100
	28,746	41,898

The loans from minority shareholders are unsecured, non-interest bearing and have no fixed repayment terms.

26. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the components of unprovided deferred tax (asset) liability are as follows:

	1998	1997
	HK$'000	*HK$'000*
Tax effect on timing differences because of:		
Excess of tax allowances over depreciation	122	164
Estimated tax losses	(50,441)	(685)
	(50,319)	(521)

The components of the unprovided deferred tax (credit) charge for the year are as follows:

	1998	1997
	HK$'000	*HK$'000*
Tax effect on timing differences because of:		
Difference between tax allowances and depreciation	(42)	55
Estimated tax losses	(57,911)	(690)
Change in tax rate	—	(3)
	(57,953)	(638)

27. **RECONCILIATION OF (LOSS) PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1998 *HK$'000*	**1997** *HK$'000*
(Loss) profit from ordinary activities before taxation	(284,193)	53,858
Share of results of associated companies	22,757	22,092
Interest expense	26,226	4,934
Interest income from associated companies	(68)	(2,557)
Loss (gain) on disposal of fixed assets	6,009	(17,151)
Loss on disposal of trading securities	276	—
Gain on disposal of investments	—	(196)
Amortisation of goodwill of subsidiaries not consolidated	5,000	—
Depreciation and amortisation	3,511	3,011
Gain on disposal of subsidiaries	—	(22,802)
Deficit on revaluation of investment properties	—	1,609
Provision for obsolete inventories	636	—
Provision for loss on trading securities	2,750	4,600
Provision for permanent diminution in value of long-term investments	—	10,000
Provision for loss on properties under development	114,000	—
Provision for loss on short-term investments	5,000	—
Increase in properties under development for sale	(242,186)	—
Decrease in properties held for sale	540,273	—
Decrease (increase) in amounts due from associated companies	824	(1,072)
(Decrease) increase in amounts due to associated companies	(3,390)	3,802
Decrease in inventories	1,633	1,321
Increase in receivables, prepayments and deposits	(54,673)	(35,660)
Increase in bank balances of trust accounts	—	(18,433)
Increase in trading securities	(1,346)	(44,197)
Increase in payables, deposits received and accruals	44,726	58,565
Increase in amounts due to directors	—	10,414
Increase (decrease) in amount due to ultimate holding company	44	(9,229)
Net cash inflow from operating activities	187,809	22,909

28. DISPOSAL OF SUBSIDIARIES

	1998	1997
	HK$'000	*HK$'000*
NET ASSETS DISPOSED OF		
Interest in associated companies	—	3,581
Investments	—	66,224
Non current assets	—	5,200
Debtors, prepayments and deposits	—	531,767
Trading securities	—	47,821
Tax recoverable	—	14
Bank balances of trust accounts	—	67,251
Bank balances of general accounts	—	75,266
Advance from financial institutions	—	(165,859)
Payables, deposits received and accruals	—	(396,545)
Taxation	—	(4,957)
Amounts due to directors	—	(15,373)
Bank overdrafts	—	(84,513)
	—	129,877
Gain on disposal of subsidiaries	—	22,802
Attributable capital reserve realised on disposal	—	(5,230)
	—	147,449
Satisfied by:		
Cash	—	95,498
Interests in associated companies	—	51,951
	—	147,449

29. ANALYSIS OF THE INFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE DISPOSAL OF SUBSIDIARIES

	1998	1997
	HK$'000	*HK$'000*
Cash received	—	95,498
Bank balances of general accounts disposed of	—	(75,266)
Bank overdrafts disposed of	—	84,513
Inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	104,745

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, share premium and other reserves HK$'000	Secured bank loans HK$'000	Minority interests HK$'000
Balance at 1st January, 1998	1,302,888	324,083	41,898
Issue of new shares on exercise of warrants	1	—	—
New loans raised	—	25,000	—
Repayment during the year	—	(128,110)	—
Advances during the year	—	—	1,409
Shares repurchased and cancelled	(4,591)	—	—
Expiration of warrants	(14,500)	—	—
Acquisition of additional interest in subsidiaries from minority shareholder	—	—	(15,783)
Dividends to minority shareholders	—	—	(5,287)
Profit attributable to minority shareholders	—	—	6,509
Balance at 31st December, 1998	1,283,798	220,973	28,746

31. COMMITMENTS

	1998 HK$'000	1997 HK$'000
(a) Commitments payable in the following year in respect of land and buildings under non-cancellable operating leases which expire:		
In the second to fifth year inclusive	7,955	3,650
Over five years	—	4,545
	7,955	8,195
(b) Commitments contracted for but not provided in the financial statements in respect of fixed assets	89	—

32. CONTINGENT LIABILITIES

	1998 HK$'000	1997 HK$'000
Guarantees given to financial institutions for loan facilities utilised by:		
— subsidiaries	—	—
— an investee company	150,000	150,000
	150,000	150,000

33. PLEDGE OF ASSETS

At 31st December, 1998, the following assets of the Group were pledged to secure general banking facilities granted to the Group:

(a) properties under development with an aggregate book value of approximately HK$299,882,000;

(b) properties held for sale with an aggregate book value of approximately HK$50,091,000; and

(c) leasehold land and buildings with an aggregate net book value of approximately HK$4,983,000.

34. RETIREMENT BENEFITS SCHEME

The Group has a defined contribution retirement benefits scheme ("Benefits Scheme") for all qualifying employees. The assets of the Benefits Scheme are held separately under a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the Benefits Scheme. Where there are employees who leave the Benefits Scheme prior to vesting fully in the contributions, in accordance with the rules of the Benefits Scheme, the forfeited contributions shall be credited thereto to be offset against the future contributions of the Group to the Benefits Scheme. As at 31st December, 1998, the total amount of forfeited contributions, which arose upon employees leaving the Benefits Scheme, and which are available to reduce the contributions payable in the future years was not significant.

35. COMPARATIVE FIGURES

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

36. RELATED PARTY TRANSACTIONS

During the year, Mr. Fung Ka Pun, an executive director of the Company, acquired an investment property from one of the Company's subsidiaries at a consideration of HK$7,000,000. The consideration was determined with reference to an external valuation report prepared by a chartered surveyor.

At the same time, Mr. Fung Ka Pun transferred all his shareholding, representing 10% equity interest of Orient World Investment Limited ("Orient World"), a subsidiary of the Company, and the loan of approximately HK$8,279,000 owing to him by Orient World to another subsidiary of the Company at a consideration of approximately HK$3,504,000. The consideration was determined with reference to the net assets value of Orient World.

During the year, the Group entered into the following transactions with related parties:

	Interest income		Interest expense		Expense reimbursements		Rental income		Amounts owed by related parties		Amounts owed to related parties	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Associated companies	68	2,557	91	247	14,691	21,127	130	120	248	1,072	412	3,802
Ultimate holding company	—	—	—	—	—	—	—	—	—	—	50	6

Interest income and interest expense are earned or charged respectively at market interest rates.

The Group performed certain administrative services for the associated companies, expenses of the central administrative department were reimbursed by the associated company on an appropriate basis.

Rental income received from an associated company was transacted with reference to the rental rate prevailing in the market.

In addition to the above, the Group had brought an unlisted long-term investment from an associated company at the carrying value of approximately HK$10,827,000.

UNAUDITED CONSOLIDATED RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30TH JUNE, 1999

Set out below is a summary of the unaudited consolidated results of the Group for the six months ended 30th June, 1999 together with the comparative figures for the corresponding period in 1998:

	Six months period ended 30th June,	
	1999	**1998**
	HK$'000	*HK$'000*
Turnover	94,849	65,618
Profit from ordinary activities before taxation	14,545	5,112
Share of results of associated companies	(2,500)	(7,972)
Profit (loss) before taxation	12,045	(2,860)
Taxation	(58)	(300)
Profit (loss) before minority interests	11,987	(3,160)
Minority interests	(1,200)	(1,718)
Profit (loss) attributable to shareholders	10,787	(4,878)

Note: The Group adopted the new Statement of Standard Accounting Practice No.24 "Accounting for Investments in Securities" commencing from 1st January, 1999 which represents a change of accounting policy with respect to investments and trading securities. Debt securities intended to be held to maturity are accounted for as held-to-maturity securities. Investment securities are stated at cost less provision for non-temporary diminution in value, if any. Other securities are stated at fair value in the balance sheet and changes in fair value are recognized in the profit and loss account.

This change in accounting policy has been accounted for retrospectively. The comparative financial statements for the six months period ended 30th June, 1998 have been restated to conform to the changed policy. The effect of the change in respect of the six months ended 30th June, 1998 is the increase in operating loss of HK$8,237,000 and a resulting reduction in net profit of HK$8,237,000. Retained earnings at 30th June, 1998 have been reduced by HK$46,848,000.

UNAUDITED CONSOLIDATED RESULTS OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 1999

Set out below is a summary of the unaudited consolidated results of the Group for the year ended 31st December, 1999 together with comparative figures for the corresponding period in 1998:

	Year ended 31st December, 1999	1998
	HK$'000	*HK$'000*
Turnover		
- properties	49,252	415,090
- manufacturing	84,089	84,368
- direct investments and others	13,877	26,868
	147,218	526,326
Cost of sales		
- properties	46,894	564,394
- manufacturing	47,238	48,774
- direct investments and others	8,639	14,089
	102,771	627,257
Gross profit (loss)	44,447	(100,931)
Other revenue	12,453	21,588
Expenses		
- Salaries and allowances	(14,055)	(16,812)
- General administration and manufacturing overheads	(18,733)	(38,352)
- Interest expenses	(2,124)	(2,229)
- Provision for investments	(6,500)	(19,725)
- Provision for diminution in value of properties under development	—	(114,000)
Operating profit (loss)	15,488	(270,461)
Share of results of associated companies	2,400	(22,757)
Profit (loss) before taxation	17,888	(293,218)
Taxation	(882)	(1,292)
Profit (loss) before minority interests	17,006	(294,510)
Minority interests	(3,240)	(6,509)
Profit (loss) for the year	13,766	(301,019)

Note:

The Group adopted the new Statement of Standard Accounting Practice No.24 "Accounting for Investments in Securities" commencing from 1st January, 1999 which represents a change of accounting policy with respect to investments and trading securities. Debt securities intended to be held to maturity are accounted for as held-to-maturity securities. Investment securities are stated at cost less provision for non-temporary diminution in value, if any. Other securities are stated at fair value in the balance sheet and changes in fair value are recognised in the profit and loss account.

This change in accounting policy has been accounted for retrospectively. The comparative financial statements for the year ended 31st December, 1998 have been restated to conform to the changed policy. The effect of the change in respect of the year ended 31st December, 1998 is the increase in operating loss of HK$9,025,000 and a resulting increase in net loss of HK$9,025,000. Retained earnings at 31st December, 1998 have been reduced by HK$47,637,000. The above prior year adjustments have not been subject to independent audit.

UNAUDITED STATEMENT OF CONSOLIDATED NET ASSETS OF THE GROUP AS AT 31ST DECEMBER, 1999

Set out below is an unaudited statement of consolidated net assets of the Group as at 31st December, 1999 together with the comparative balances as at 31st December, 1998:

	As at 31 December,	
	1999	**1998**
	HK$'000	*HK$'000*
FIXED ASSETS	14,283	16,007
PROPERTIES UNDER DEVELOPMENT	410,410	366,446
SUBSIDIARIES NOT CONSOLIDATED	16,446	16,142
INTEREST IN ASSOCIATED COMPANIES	30,027	26,649
INVESTMENTS IN SECURITIES	38,101	40,575
LONG TERM RECEIVABLES	196,567	193,759
CURRENT ASSETS		
Properties held for sale	—	50,091
Inventories	16,173	14,348
Receivables, prepayments and deposits	23,208	70,698
Short-term investments	11,030	17,530
Trading securities	725	6,085
Bank balances and cash	85,766	148,074
	136,902	306,826
CURRENT LIABILITIES		
Payables, deposits received and accruals	34,150	80,560
Taxation	5,239	8,771
Secured bank loans - current portion	43,300	89,940
Amount due to ultimate holding company	16	50
	82,705	179,321
NET CURRENT ASSETS	54,197	127,505
SECURED BANK LOANS: NON-CURRENT PORTION	(91,144)	(131,033)
MINORITY INTERESTS	(29,226)	(28,746)
NET ASSETS	639,661	627,304

Note:

The Group adopted the new Statement of Standard Accounting Practice No.24 "Accounting for Investments in Securities" commencing from 1st January, 1999 which represents a change of accounting policy with respect to investments and trading securities. Debt securities intended to be held to maturity are accounted for as held-to-maturity securities. Investment securities are stated at cost less provision for non-temporary diminution in value, if any. Other securities are stated at fair value in the balance sheet and changes in fair value are recognised in the profit and loss account.

This change in accounting policy has been accounted for retrospectively. The comparative financial statements for the year ended 31st December, 1998 have been restated to conform to the changed policy. The effect of the change in respect of the year ended 31st December, 1998 is to reduce the book value of investments in securities by HK$47,637,000. The above prior year adjustments have not been subject to independent audit.

MATERIAL ADVERSE CHANGE

Save as disclosed in the unaudited financial results of the Company for the year ended 31st December, 1999 set out in this circular, the directors of the Company are not aware of any material adverse changes in the financial position or prospects of the Group since 31st December, 1998, the date to which the latest published financial statements of the Group were made up.

ERNST & YOUNG
安永會計師事務所

15/F Hutchison House
10 Harcourt Road
Central
Hong Kong

25th March, 2000

The Directors
e2-Capital Limited
1201-10 Alexandra House
18 Chater Road
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding e2-Capital Limited (the "Company") for inclusion in a circular of Goodwill Investment (Holdings) Limited dated 25th March, 2000 (the "Circular").

The Company was incorporated with limited liability in Hong Kong on 20th September, 1999 under the Hong Kong Companies Ordinance. The Company is engaged in the provision of corporate finance and business advisory services.

We have acted as auditors of the Company and examined the audited financial statements of the Company for period from 20th September, 1999 (date of incorporation) to 31st December, 1999 (the "Relevant Period"), in accordance with the Auditing Guideline "Prospectuses and the reporting accountant" issued by the Hong Kong Society of Accountants.

The summaries of the results of the Company for the Relevant Period and of the net assets of the Company as at 31st December, 1999 (the "Summaries") set out in this report have been prepared from the audited financial statements. No adjustments have been made to the Summaries.

In our opinion, the Summaries together with the following notes thereon give, for the purpose of this report, a true and fair view of the results of the Company for the Relevant Period and of the net assets of the Company as at 31st December, 1999.

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Company in arriving at the financial information set out in this report, which conform with accounting principles generally accepted in Hong Kong, are as set out below:

Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably.

The fees for business advisory services are recognised in the accounting period when the services are rendered.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over the estimated useful life of three years.

Long term investments

Long term investments are non-trading investments in unlisted equity securities intended to be held on a long term basis.

Unlisted securities are stated at their estimated fair values on an individual basis.

The gain or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental expenses applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Deferred taxation

Deferred taxation is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

2. RESULTS

The following is a summary of the results of the Company for the Relevant Period.

	Notes	*HK$*
TURNOVER	(a)	1,050,000
Other income		26,623
Staff costs		(1,536,645)
Depreciation		(191,036)
Other operating expenses		(400,743)
LOSS BEFORE TAX	(b)	(1,051,801)
Tax	(c)	—
NET LOSS FROM ORDINARY ACTIVITIES FOR THE PERIOD AND ACCUMULATED LOSS AT END OF PERIOD		(1,051,801)

Notes:

(a) **Turnover**

Turnover represents business advisory service fees earned.

(b) **Loss before tax**

Loss before tax is arrived at after charging/(crediting):—

	HK$
Directors' remuneration:	
Fees	—
Other emoluments	1,384,000
Auditors' remuneration	45,000
Operating lease rentals for land and buildings	33,000
Interest income	(25,623)

(c) **Tax**

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits in Hong Kong during the Relevant Period.

No provision for deferred taxation has been made as the effect of timing difference is not material at the balance sheet date.

(d) **Related party transactions**

During the Relevant Period, rental expenses of HK$33,000 paid to a director's wife in connection with an employee's quarter were based on estimated open market rentals.

3. NET ASSETS

The following is a summary of the net assets of the Company as at 31st December, 1999:—

	Notes	*HK$*
NON-CURRENT ASSETS		
Fixed assets	(a)	382,154
Long term investment	(b)	1,070,000
		1,452,154
CURRENT ASSETS		
Deposits		596,119
Bank balances		3,314,971
		3,911,090
CURRENT LIABILITIES		
Other payables and accrued liabilities		1,615,045
NET CURRENT ASSETS		2,296,045
NET ASSETS		3,748,199

Notes:

(a) **Fixed assets**

	At cost	Accumulated depreciation	Net book value
	HK$	*HK$*	*HK$*
Leasehold improvements	320,388	106,769	213,619
Furniture, fixtures and equipment	246,202	82,067	164,135
Computer equipment	6,600	2,200	4,400
	573,190	191,036	382,154

(b) **Long term investment**

	HK$
Unlisted shares, at cost	1,070,000

(c) **Commitments and contingent liabilities**

	HK$
Operating lease commitments payable under operating leases in respect of land and buildings expiring in the second to fifth years, inclusive	691,896
Contracted capital commitment	1,000,000

Save as disclosed above, the Company had no other material capital commitments or contingent liabilities as at 31st December, 1999.

(d) **Distributable reserves**

As at 31st December, 1999, there was no reserve available for distribution to the shareholders of the Company.

4. SUBSEQUENT EVENTS

Subsequent to the period end, on 11th February, 2000, the Company registered as an investment adviser and securities dealer under the Securities Ordinance (Cap. 333 of Laws of Hong Kong).

Save as aforesaid, no significant events have taken place subsequent to 31st December, 1999.

5. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31st December, 1999.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSET VALUE OF THE GROUP UPON COMPLETION OF THE e2-CAPITAL ACQUISITION AND THE SHARE PLACING

The following pro forma statement of unaudited adjusted consolidated net tangible assets of the Group immediately following completion of the e2-Capital Acquisition and the Share Placing is based on the audited consolidated balance sheet of the Group as at 31st December, 1998 as set out in Appendix I to this circular and adjusted to reflect the effects of the e2-Capital Acquisition and the Share Placing and certain adjustments since 31st December, 1998:

	HK$'000
Audited consolidated net tangible assets of the Group as at 31st December, 1998	674,941
Unaudited consolidated net profit attributable to the Shareholders for the year ended 31st December, 1999	13,766
Prior year adjustment to reflect change in accounting policy[(4)]	(47,637)
Movement in capital and reserves relating to Share repurchase by the Company during the year ended 31st December, 1999	(1,409)
Unaudited adjusted consolidated net tangible assets of the Group before completion of the e2-Capital Acquisition and the Share Placing	639,661
Value of audited net assets of e2-Capital as at 31st December, 1999	3,748
Pro forma unaudited adjusted consolidated net tangible assets of the Group upon completion of the e2-Capital Acquisition	643,409
Proceeds from the Share Placing	276,000
Estimated expenses relating to the Share Placing	(5,520)
Pro forma unaudited adjusted consolidated net tangible assets of the Group upon completion of the e2-Capital Acquisition and the Share Placing	913,889
Unaudited adjusted consolidated net tangible asset value per Share before completion of the e2-Capital Acquisition and the Share Placing[(1)]	HK$1.10
Pro forma unaudited adjusted consolidated net tangible asset value per Share upon completion of the e2-Capital Acquisition[(2)]	HK$0.74
Pro forma unaudited adjusted consolidated net tangible asset value per Share upon completion of the e2-Capital Acquisition and the Share Placing[(3)]	HK$0.83

Notes:

(1) Unaudited adjusted consolidated net tangible asset value per Share before completion of the e2-Capital Acquisition and the Share Placing has been calculated on the basis of 579,272,336 Shares in issue as at the Latest Practicable Date.

(2) Pro-forma unaudited adjusted consolidated net tangible asset value per Share upon completion of the e2-Capital Acquisition has been calculated on the basis of 869,272,336 Shares, being the 579,272,336 Shares in issue as at the Latest Practicable Date plus the 290,000,000 new Shares to be issued on completion of the e2-Capital Acquisition.

(3) Pro-forma unaudited adjusted consolidated net tangible asset value per Share upon completion of the e-2 Capital Acquisition and the Share Placing has been calculated on the basis of 1,099,272,336 Shares, being the 579,272,336 Shares in issue as at the Latest Practicable Date plus the 290,000,000 new Shares to be issued on completion of the e2-Capital Acquisition and the 230,000,000 new Shares to be issued on the Share Placing (assuming the maximum number of Placing Shares are issued).

(4) The Group adopted the new Statement of Standard Accounting Practice No.24 "Accounting for Investments in Securities" commencing from 1st January, 1999 which represents a change of accounting policy with respect to investments and trading securities. Debt securities intended to be held to maturity are accounted for as held-to-maturity securities. Investment securities are stated at cost less provision for non-temporary diminution in value, if any. Other securities are stated at fair value in the balance sheet and changes in fair value are recognised in the profit and loss account.

This change in accounting policy has been accounted for retrospectively. The comparative financial statements for the year ended 31st December, 1998 have been restated to conform to the changed policy. The effect of the change on the retained earnings at 31st December, 1998 is to reduce retained earnings by HK$47,637,000. Such prior year adjustments have not been subject to independent audit.

PRO FORMA STATEMENT OF UNAUDITED CONSOLIDATED ASSETS AND LIABILITIES OF THE GROUP UPON COMPLETION OF THE e2-CAPITAL ACQUISITION AND THE SHARE PLACING

The following is a pro forma statement of the unaudited consolidated assets and liabilities of the Group immediately following completion of the e2-Capital Acquisition and the Share Placing based on: (i) the unaudited statement of consolidated net assets of the Group as at 31st December, 1999 as set out in Appendix I of this circular; and (ii) the audited net assets of e2-Capital as at 31st December, 1999 extracted from the accountants report as set out in Appendix II of this circular; assuming completion of the e2-Capital Acquisition and the Share Placing had taken place:

	The Group	**e2-Capital**	**Adjustment** *(Note)*	**The Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
FIXED ASSETS	14,283	382		14,665
PROPERTIES UNDER DEVELOPMENT	410,410	—		410,410
SUBSIDIARIES NOT CONSOLIDATED	16,446	—		16,446
INTEREST IN ASSOCIATED COMPANIES	30,027	—		30,027
INVESTMENTS IN SECURITIES	38,101	1,070		39,171
LONG TERM RECEIVABLES	196,567	—		196,567
CURRENT ASSETS				
Inventories	16,173	—		16,173
Receivables, prepayments and deposits	23,208	596		23,804
Short-term investments	11,030	—		11,030
Trading securities	725	—		725
Bank balances and cash	85,766	3,315	270,480	359,561
	136,902	3,911	270,480	411,293
CURRENT LIABILITIES				
Payables, deposits received and accruals	34,150	1,615		35,765
Taxation	5,239	—		5,239
Secured bank loans - current portion	43,300	—		43,300
Amount due to ultimate holding company	16	—		16
	82,705	1,615	—	84,320
NET CURRENT ASSETS	54,197	2,296	270,480	326,973

	The Group	e2-Capital	Adjustment (Note)	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SECURED BANK LOANS:				
NON-CURRENT PORTION	91,144	—		91,144
MINORITY INTERESTS	29,226	—		29,226
NET ASSETS	639,661	3,748	270,480	913,889

Note:

	HK$'000
This represents:	
Estimated net proceeds of Share Placing (assuming maximum number of Placing Shares issued)	276,000
Estimated expenses relating to issue of Placing Shares	(5,520)
	270,480

INDEBTEDNESS

At the close of business on 31st January, 2000, being the latest practicable date for this indebtedness statement, the Enlarged Group had outstanding borrowings of approximately HK$203,833,000. The borrowings comprised bank loans of approximately HK$179,158,000, other loan of HK$4,593,000, an amount due to Goodwill International of approximately HK$16,000 and an amount due to a minority shareholder of approximately HK$20,066,000. Bank loans of approximately HK$158,758,000 were secured by properties under development with a net book value of approximately HK$344,437,000. The remaining bank loan of HK$20,400,000 was secured by a mortgage on the shares of a non-consolidated subsidiary with a carrying value of approximately HK$27,476,000. The other loan of HK$4,593,000 was secured by a sub-mortgage of second ranking mortgage loans of approximately HK$6,560,000. A guarantee of HK$150,000,000 was given by the Company to a financial institution for a loan utilised by an investee company. Besides, leasehold land and buildings with an aggregate net book value of approximately HK$4,865,000 were pledged to secure general banking facilities of the Group (which were not utilised at the close of business on 31st January, 2000).

Save as aforesaid and apart from intra-group liabilities, none of the companies in the Enlarged Group had outstanding at the close of business on 31st January, 2000 any mortgages, charges or debentures, loan capital, bank overdrafts, loan and other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptances, guarantees or other material contingent liabilities.

WORKING CAPITAL

The current and future directors of the Company are of the opinion that based on available banking facilities, the internal resources of the Enlarged Group and the representation from e2-Capital, the Enlarged Group will have sufficient working capital for its present requirements in the absence of unforeseen circumstances.

Deloitte Touche Tohmatsu

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

德勤•關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

25th March, 2000

The Directors
Goodwill Investment (Holdings) Limited
20 Floor, Henley Building
5 Queen's Road Central
Hong Kong

Dear Sirs,

REVIEW OF UNAUDITED RESULTS

We have reviewed the unaudited results of Goodwill Investment (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st December, 1999 (the "Unaudited Results") for which the directors of the Company are solely responsible. The Unaudited Results are set out in the sections headed "Unaudited Consolidated Results of the Group for the Year Ended 31st December, 1999" in Appendix I and the "Pro Forma Statement of Unaudited Adjusted Consolidated Net Tangible Asset Value of the Group upon Completion of the e2-Capital Acquisition and the Share Placing" in Appendix III to the circular dated 25th March, 2000 issued by the Company in connection with the "Acquisition of e2-Capital Limited, Granting of Option to Goodwill International (Holdings) Limited to Acquire an Interest in Boxmore Limited, Acquisition of Interest in Pacific Connections Limited, Acquisition of Interest in Goodwill Financial Services (Holdings) Limited, Acquisition of Keith Statham Associates Limited, Placing of New Shares, Change of Name of the Company, Increase in Authorised Share Capital and General Mandates to Issue and Repurchase Shares" (the "Circular").

Our review of the Unaudited Results was conducted in accordance with the International Standard on Auditing applicable to review engagements and consisted of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making inquiries of management. Our review was substantially less in scope than an audit performed in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, and accordingly, we express no opinion as to whether the Unaudited Results give a true and fair view of the results of the Group for the year then ended.

Based on our review:

- so far as the accounting policies are concerned, the Unaudited Results have been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group; and

- we are not aware of any material modifications that are required to be made to the Unaudited Results as presented in the Circular.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a letter and summary of a valuation received from Chesterton Petty, prepared for the purpose of incorporation in this circular, in connection with its business valuation of e2-Capital as at 25th March, 2000:

Chesterton
PETTY
卓德

International Property Consultants

Chesterton Petty Ltd
16/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

25th March, 2000

The Directors
Goodwill Investment (Holdings) Limited
20th Floor, Henley Building
Five Queen's Road Central
Hong Kong

The Directors
e2-Capital Limited
1201-10 Alexandra House
18 Chater Road
Central
Hong Kong

Dear Sirs

BUSINESS VALUATION OF e2-CAPITAL LIMITED

In accordance with your instructions, we confirm that we have prepared an assessment of the potential transaction price for an equity interest in e2-Capital Limited ("e2-Capital"). A summary of our full report follows:

Valuation summary

After careful consideration of the information available and after making relevant enquiries, we are of the opinion that the market value of the total equity interest in e2-Capital was as follows as at 25th March, 2000:

Market Value
HK$
490,000,000

Total Market Value: Four Hundred and Ninety Million Hong Kong Dollars

This report letter forms part of a detailed valuation report dated 25th March, 2000 which comprises:

(a) identification of the business valued, states the nature and extent of our investigations, states major assumptions and limitations and presents the opinion of value;

(b) a detailed explanation of the methodology employed; and

(c) detailed analysis to substantiate the opinion of value.

Background and description of the business

e2-Capital is an issuer-driven, technology focused, web enabled investment bank based in Hong Kong. The company focuses on raising capital for the leading companies of the e-Economy, providing a full range of investment banking, private equity and strategic advisory and business consulting services tailored to Internet and high technology companies.

Purpose of valuation

We understand that the purpose of this valuation is to assess the market value of an equity interest in e2-Capital's business to assist in determining the potential price for a planned sale of an equity interest in e2-Capital. Accordingly, we have adopted the market value basis in arriving at our assessment.

Definition of valuation

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Valuation methodology

In determining the potential equity worth of e2-Capital's businesses one methodology or approach was employed, namely Discounted Cash Flow Analysis ("DCF Analysis"). Normally a number of methods are employed to arrive at any business value including, where appropriate:

(a) DCF Analysis;

(b) Publicly Traded Companies Multiples;

(c) Dividend Cash Flow; and

(d) Market Based (Comparable Transactions).

In this case, we also reviewed the results of the DCF analysis by using comparison with publicly traded companies' price/earnings and price/revenue ratios as a valuation methodology.

Earnings after tax were arrived at by preparing a detailed financial model summing the incomes and deducting all projected expenditure. Expenses incorporated in the model included office costs, salaries and benefits, capital expenditure, operational costs and corporate taxation.

There were insufficient transparent transactions to form an opinion based on comparable transactions. In using comparable company multiples within the technology and Internet related sectors, it should be noted that listed companies in this sector currently trade at valuations that presuppose both the continuation of existing strong growth rates and the transition to highly profitable operations. In arriving at the above indicative firm value, we have assumed that e2-Capital can mirror the prospects of these comparables.

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of additional assumptions have been made in the preparation of this business valuation report. The major assumptions adopted are:

(a) There will be no major changes in the existing political, legal, and economic conditions in the areas in which e2-Capital carries on its business;

(b) There will be no major changes in the current taxation law in the areas in which e2-Capital carries on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with;

(c) The interest rates will not differ materially from those presently prevailing;

(d) e2-Capital will not be affected by any business interruption through international crisis, industrial action, industrial accidents, fire or other such loss; and

(e) e2-Capital will remain free from claims and litigation.

General

We have reviewed financial records as well as other documents supplied to us by e2-Capital and third parties. The financial information, especially that relating to projected revenues for the business, was provided by e2-Capital. We have relied to a considerable degree on this financial data and we give no opinion of the reasonableness or attainability of the underlying assumptions of the financial forecasts. Though we have not carried out an independent investigation of the said information, we have no reason to doubt the truth and accuracy of the information provided to us and we are not aware of any material facts that have been omitted from the information supplied.

The indicative value has not been adjusted to reflect subjective investment issues of importance to a prudent investor such as size of shareholding stake, quality of management, investor taxation, etc.

We confirm that we have no present or contemplated future interest in the subject company or any other interest which may prevent our having arrived at a fair and unbiased assessment of value.

Unless otherwise specified, all amounts are dominated in Hong Kong Dollars.

Yours faithfully
For and on behalf of
Chesterton Petty Ltd
Andrew W. Slevin
Associate Director

The following is the text of a letter and summary of a valuation received from Chesterton Petty, prepared for the purpose of incorporation in this circular, in connection with its business valuation of PCL as at 25th March, 2000:

Chesterton
PETTY
卓德

International Property Consultants

Chesterton Petty Ltd
16/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

25th March, 2000

The Directors
Goodwill Investment (Holdings) Limited
20th Floor, Henley Building
Five Queen's Road Central
Hong Kong

The Directors
China.com Corporation
20th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Dear Sirs

BUSINESS VALUATION OF PACIFIC CONNECTIONS LIMITED

In accordance with your instructions, we confirm that we have prepared an assessment of the potential transaction price for a 20% equity interest in Pacific Connections Limited ("PCL"). A summary of our full report follows:

Valuation summary

After careful consideration of the information available and after making relevant enquiries, we are of the opinion that the market value of the total equity interest in PCL, was as at 25th March, 2000 US$23,330,000 (equivalent to approximately HK$180,807,500) and that the market *value of the 20% equity interest in PCL, was as follows as at 25th March, 2000:*

Market Value
US$
4,666,000

Total Market Value: Four Million Six Hundred and Sixty Six Thousand United States Dollars

This report letter forms part of a detailed valuation report dated 25th March, 2000 which comprises:

(a) identification of the business valued, states the nature and extent of our investigations, states major assumptions and limitations and presents the opinion of value;

(b) a detailed explanation of the methodology employed; and

(c) detailed analysis to substantiate the opinion of value.

Background and description of the business

PCL is one of the few full service Intranet/Extranet Consulting companies providing Intranet evaluation, implementation and management services to large and medium corporate customers in Hong Kong. PCL is currently deriving, or is scheduled to derive, income from three main areas: Intranet and Applications Development, Internet and Extranet Sites Development, and "Planet-Intra" product rentals.

Purpose of valuation

We understand that the purpose of this valuation is to assess the market value of an equity interest in PCL's business to assist in determining the potential price for a planned sale of 20% equity interest in PCL. Accordingly, we have adopted the market value basis in arriving at our assessment.

Definition of valuation

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Valuation methodology

In determining the potential equity worth of PCL's businesses one methodology or approach was employed, namely, comparison with publicly traded companies multiples analysis. Normally a number of methods are employed to arrive at any business value including, where appropriate:

(a) Discounted Cash Flow Analysis;

(b) Publicly Traded Companies Multiples;

(c) Dividend Cash Flow; and

(d) Market Based (Comparable Transactions).

We were supplied with outline financial data on revenues only and the discounted cash flow and dividend cash flow methods could not be adopted. There were insufficient transparent transactions to form an opinion based on comparable transactions. In using comparable company multiples within the technology and Internet related sectors, it should be noted that listed companies in this sector currently trade at valuations that presuppose both the continuation of existing strong growth rates and the transition to highly profitable operations. In arriving at the above indicative firm value, we have assumed that the subject company can mirror the prospects of these comparables.

In determining the equity value of PCL we have researched value indicators from comparable companies in each area of the company's business. The nature of the business, the high volatility of the stock markets and the lack of directly comparable listed companies in Hong Kong means that we have had to make adjustments to the available value indicators to make them more appropriate to the company's business.

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of additional assumptions have been made in the preparation of this business valuation report. The major assumptions adopted are:

(a) There will be no major changes in the existing political, legal, and economic conditions in the areas in which PCL carries on its business;

(b) There will be no major changes in the current taxation law in the areas in which PCL carries on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with;

(c) The interest rates will not differ materially from those presently prevailing;

(d) PCL will not be affected by any business interruption through international crisis, industrial action, industrial accidents, fire or other such loss; and

(e) PCL will remain free from claims and litigation.

General

The financial information used in our valuation, especially that relating to projected revenues for the business, was provided by China.com Corporation. We are informed that PCL has no significant liabilities except for accounts payable accrued in the normal course of business. We have relied to a considerable degree on this financial data and we give no opinion of the reasonableness or attainability of the underlying assumptions of the financial forecasts. Though we have not carried out an independent investigation of the said information, we have no reason to doubt the truth and accuracy of the information provided to us and we are not aware of any material facts that have been omitted from the information supplied.

The indicative value has not been adjusted to reflect subjective investment issues of importance to a prudent investor such as size of shareholding stake, quality of management, taxation, etc.

We confirm that we have no present or contemplated future interest in the subject company or any other interest which may prevent our having arrived at a fair and unbiased assessment of value.

Unless otherwise specified, all amounts are dominated in United States Dollars.

Yours faithfully
For and on behalf of
Chesterton Petty Ltd
Andrew W. Slevin
Associate Director

This Appendix serves as an explanatory statement as required, pursuant to Rule 10.06(1)(b) of the Listing Rules, to be given to Shareholders in order for them to consider the granting of the Repurchase Mandate.

(A) STOCK EXCHANGE RULES

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Company's memorandum of association and bye-laws and the Companies Act 1981 of Bermuda (as amended).

(iii) Trading restrictions

The total number of shares which a company may repurchase on the Stock Exchange is shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the repurchases of securities on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may require.

(iv) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under Bermuda law, a company's repurchased shares will be treated as cancelled.

(v) **Suspension of repurchase**

A company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of its interim report, a company (other than an investment company listed pursuant to the provisions of Chapter 21 of the Listing Rules) may not repurchase its securities on the Stock Exchange unless the circumstances are exceptional.

(vi) **Reporting requirements**

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased and the aggregate prices paid.

(vii) **Connected parties**

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the company on the Stock Exchange.

(B) SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 579,272,336 Shares. Pursuant to the e2-Capital Acquisition, the PCL Acquisition and the GFS Acquisition, an aggregate of up to 342,920,000 new Shares are expected to be issued. Pursuant to the Share Placing, up to 230,000,000 new Shares may be issued. Pursuant to an agreement between the Company and Jardine Fleming, 1,000,000 Shares ("Jardine Fleming Shares") will be issued to Jadine Fleming in settlement of part of its fee for advising the Company in connection with the Proposal.

The exercise of the Repurchase Mandate, on the basis of 1,153,192,336 Shares in issue immediately after the issue of the e2-Capital Consideration Shares, the PCL Consideration Shares, the GFS Consideration Shares and the Jardine Fleming Shares and the maximum number of Placing Shares, would allow up to 115,319,234 Shares to be repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(C) REASONS FOR REPURCHASES

The existing and future directors of the Company believe that it is in the best interests of the Company and the Shareholders for the directors of the Company to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the future directors of the Company believe that such repurchases will benefit the Company and its Shareholders.

(D) FUNDING OF REPURCHASES

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws and the applicable laws of Bermuda.

On the basis of the current financial position of the Group as disclosed in this circular and taking into account the current working capital position of the Group, the existing and future directors of the Company consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this circular. However, the future directors of the Company do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing level which in the opinion of the future directors of the Company are from time to time appropriate for the Group.

(E) SHARE PRICES

The table below sets out the highest and lowest prices at which the Shares have traded on the Stock Exchange for the twelve month period prior to the Latest Practicable Date:

	Share Prices	
	Highest	**Lowest**
1999	*(HK$)*	*(HK$)*
March	0.89	0.76
April	0.89	0.68
May	0.75	0.64
June	0.94	0.60
July	0.75	0.59
August	0.68	0.55
September	0.76	0.58
October	1.25	0.59
November	1.36	0.85
December	1.18	0.72
2000		
January	1.05	0.77
February	4.25	0.97

(F) GENERAL

None of the existing and future directors of the Company nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently have any present intention to sell any Shares to the Company.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares in the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

The existing and future directors of the Company have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Upon completion of the Proposal (assuming the issue of an aggregate of 230,000,000 new Shares pursuant to the Share Placing), it is expected that: (i) Goodwill International and Fung Ka Pun will hold in aggregate 305,917,957 Shares, representing approximately 26.6% of the enlarged issued share capital of the Company and (ii) ECI will hold 290,000,000 Shares, representing approximately 25.1% of the enlarged issued share capital of the Company. On the basis of 1,153,192,336 Shares in issue, exercise in full of the Repurchase Mandate will result in the repurchase of 115,319,233 Shares, and: (i) the aggregate interest of Goodwill International and Fung Ka Pun will increase to 29.5%; and (ii) ECI's interest will increase to 27.9%. The directors of the Company are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

Any purchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented with the agreement of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, save as disclosed below, none of the directors or the chief executive of the Company have any interest in the equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) or which are required to be or have been notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such person is deemed or taken to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register kept by the Company referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(i) *The Company*

	Number of Shares of the Company held		
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**
Fung Ka Pun	6,375,000(1)	3,500,000(2)	5,220,866(3)
Kua Phek Long	60,732,000	—	—
Cheng Kin Wah, Thomas	1,124,000(4)	—	—
Lai Shi Hong, Edward	1,500,000(4)	—	—
Tsang Pui Yuen, Kant	1,500,000(4)	—	—
Ho Kwok Wai, Patrick	2,750,000(4)	—	—

(ii) *Goodwill International*

	Number of Shares of Goodwill International held		
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**
Fung Ka Pun	5,000,000	—	121,637,828(3)
Lai Shi Hong, Edward	500,000	—	—

(1) Fung Ka Pun is interested in 6,375,000 Share options which have been granted to him pursuant to the Company's Share Option Scheme.

(2) Mr. Fung's spouse is interested in 3,500,000 Share options which have been granted to her pursuant to the Company's Share Option Scheme.

(3) Fung Ka Pun has a beneficial interest in Bo Hing Limited, which was interested in 5,220,866 Shares in the Company as at the Latest Practicable Date. Bo Hing Limited was also interested in 121,637,828 shares in Goodwill International as at the Latest Practicable Date.

(4) The interests of Cheng Kin Wah Thomas, Lai Shi Hong Edward, Tsang Pui Yuen Kant and Ho Kwok Wai Patrick are each comprised of Share options which have been granted to them pursuant to the Company's Share Option Scheme.

(b) As at the Latest Practicable Date, so far as the directors of the Company are aware, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that the only shareholder (not being a director or the chief executive of the Company) who was directly or indirectly interested in 10% or more of the voting power at any general meeting of the Company was Goodwill International which held 300,697,091 Shares.

(c) None of the directors of the Company has any existing or proposed service contract with any member of the Group which does not expire or is not terminable by the Group within one year without payment of compensation (other than statutory compensation). Wong Sin Just and Tam Yuk Ching, Jenny are expected to enter into formal service contracts with a member of the Group following Completion. The terms of these agreements have not been finalised and will be subject to approval by the directors of the Company.

(d) On 26th February, 2000 the Company entered into the Boxmore Option with Goodwill International, particulars of which are set out in the section headed "Boxmore Option" above. Fung Ka Pun is a substantial shareholder of Goodwill International, the controlling shareholder of the Company.

(e) Save as disclosed herein, no director of the Company is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Enlarged Group.

(f) The directors or proposed directors of the Company are respectively interested in the following acquisitions or disposals or proposed acquisitions or disposals of assets by the Company since 31st December, 1998, the date to which the latest audited accounts of the Company were made up:

(i) a sale and purchase agreement dated 14th May, 1999 between Ever Lead Limited (an indirect wholly-owned subsidiary of the Company) and the spouse and the daughter (the "Fung Associates") of Fung Ka Pun, an executive director of the Company, in connection with the sale by Ever Lead Limited of Tower 2, 11/F, Flat A, Covent Garden with car park numbered 37 to the Fung Associates for HK$3,440,000;

(ii) an agreement dated 14th May, 1999 entered between Goodwill International, the Company's controlling shareholder, and Cory Developments Limited ("Cory"), an indirectly wholly-owned subsidiary of the Company, whereby Cory acquired a 100% interest (2 shares) in Sunyork Investment Limited and a shareholder's loan in sum of HK$8,870,225 for HK$3,000,000; and

(iii) the e2-Capital Acquisition Agreement dated 26th February, 2000, particulars of which are set out in the section headed "e2-Capital Acquisition" above. Wong Sin Just will join the board of directors of the Company as an executive directors and Tam Yuk Ching, Jenny will serve as alternate director to Mr. Wong. Mr. Wong and Ms. Tam are the controlling shareholders of ECI.

(g) Save as disclosed herein, none of the directors or proposed directors of the Company, DBS, Deloitte Touche Tohmatsu, Ernst and Young and Chesterton Petty has any interest, direct or indirect, in any assets which have been, since 31st December, 1998, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member the Group or which are proposed to be acquired or disposed of by or leased to any member the Group.

(h) Jardine Fleming has been appointed to advise the Company in connection with the Proposal. In settlement of part of the fee for acting in such advisory capacity, the Company will issue 1,000,000 Shares to Jardine Fleming based on an issue price of HK$1.20. The directors of the Company intend to issue such Shares, pursuant to the general unconditional mandate to issue additional Shares granted to them by the Shareholders at the last annual general meeting of the Company, upon issuance of this circular to the Shareholders.

3. LITIGATION

No member of the Enlarged Group is at present engaged in any litigation or claim of material importance to the Enlarged Group and no litigation or claim of material importance to the Enlarged Group is known to the directors to be pending or threatened by or against any member of the Enlarged Group.

4. CONSENTS

DBS, Deloitte Touche Tohmatsu, Ernst and Young and Chesterton Petty have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their reports, letters and the references to their names included herein in the form and context in which they respectively appear.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) a conditional subscription agreement dated 11th January, 2000 between the Company and Topdomain Network Limited ("TNL") whereby the Company agreed to subscribe for 1,045,000 shares (23.6%) in the share capital of TNL;

(b) a loan agreement dated 20th January, 2000 between Active Way International Limited, an indirect wholly-owned subsidiary of the Company, and The Hongkong and Shanghai Banking Corporation Limited in connection with the development of Section E of Kowloon Land Lot No.2097 (No. 286 Prince Edward Road West, Kowloon, Hong Kong);

(c) an agreement dated 29th December, 1998 between Fine Crystal Investment Limited, an indirect wholly-owned subsidiary of the Company, and Fung Ka Pun in connection with the acquisition of a 10% interest (1 share) in the share capital of Orient World Investment Limited and a shareholder's loan of HK$8,279,488 from Fung Ka Pun;

(d) an agreement dated 29th December, 1998 between Best Orient Investment Limited, a wholly-owned subsidiary of the Company, and Fung Ka Pun in connection with the disposal of a Hong Kong property, 4A Beachside, South Bay Road, Repulse Bay, Hong Kong together with car parking spaces Nos. P19-20 to Fung Ka Pun at HK$7,000,000;

(e) an agreement dated 23rd October, 1998 between Goodwill International (BVI), an indirect wholly-owned subsidiary of the Company, and Profit Source Limited whereby Goodwill International (BVI) acquired a 16.1% interest (29 shares) in the share capital of Crebox Limited and a shareholder loan of HK$10,163,836 for HK$5,000,000;

(f) a share swap agreement dated 18th November, 1998 between Belle Corporation and Will Kong Nominees Limited, the trustee of the shares in the share capital of Belle Bay City Corporation which are held by Braysford Investments Limited ("Braysford"), an indirect wholly-owned subsidiary of the Company pursuant to which Braysford agreed to swap 7,941,639 common shares in Belle Bay City Corporation for 8,300,000 shares in the share capital of Belle Corporation;

(g) a joint venture agreement dated on or about 24th August, 1999 between the Company and Sunflower Technologies International Limited in connection with the incorporation of Enterprise Pacific Limited;

(h) a tenancy agreement dated 28th December, 1999 between Goodwill Properties Limited, an indirect wholly-owned subsidiary of the Company, and Holita Co. Limited in respect of the premises located at 20/F, Henley Building, 5 Queen's Road Central, Hong Kong;

(i) an indemnity dated 13th January, 2000 between Right Way Holdings Limited and Powerflow Limited, both indirect wholly-owned subsidiaries of the Company, and King Ever Limited in connection with the development of Lots Nos. 3250A17, 3250A18, 3250A19, 3250B36 and 3250B37, all in Demarcation District No. 104; and

(j) a release of a share mortgage dated 10th August, 1999 between Ruddock Investments Limited, a wholly-owned subsidiary of the Company, and International Bank of Asia Limited in connection with Section E of Kowloon Land No. 2097.

6. MISCELLANEOUS

(a) The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified public accountants
Ernst & Young	Certified public accountants
DBS	Registered investment adviser
Chesterton Petty	Professional surveyors and valuers

(b) The secretary of the Company is Cheng Kin Wah, Thomas, who is a member of The Hong Kong Society of Accountants and The Chartered Association of Certified Accountants.

(c) The registered office of the Company is situated at Cedar House, 41 Cedar Avenue, Hamilton, HM12, Bermuda. The share registrars and transfer offices of the Company are Butterfield Corporate Services Limited, 65 Front Street, Hamilton, Bermuda and Progressive Registration Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, respectively.

(d) The business address of Wong Sin Just and Tam Yuk Ching, Jenny is e2-Capital Limited, 1201-10 Alexandra House, 18 Chater Road, Central, Hong Kong.

(e) In case of inconsistencies between the English text and the Chinese text of this circular, the English text shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Coudert Brothers at 39th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours up to and including 17th April, 2000.

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix;

(c) the e2-Capital Acquisition Agreement, the PCL Acquisition Agreement, the Boxmore Option Agreement, the GFS Acquisition Agreement, the KSA Acquisition Agreement and the Share Placing Agreement;

(d) the letter from the Independent Board Committee the text of which is set out on pages 26 to 27 of this circular;

(e) the letter of advice from DBS, the text of which is set out on pages 28 to 33 of this circular;

(f) the accountants report on e2-Capital, the text of which is set out in Appendix II to this circular;

(g) the letter from Deloitte Touche Tohmatsu, the text of which is set out in Appendix IV to this circular;

(h) the letters and valuation certificates prepared by Chesterton Petty, the texts of which are set out in Appendices V and VI to this circular;

(i) the written consents referred to under the paragraph headed "Consents" in this Appendix;

(j) the annual report of the Group for the years ended 31st December, 1997 and 31st December, 1998;

(k) the interim report of the Group for the six months ended 30th June, 1999; and

(l) the Announcement.

GOODWILL INVESTMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Company will be held at The Hong Kong Bankers Club, 43rd-44th Floor, Gloucester Tower, The Landmark, Hong Kong at 10:30 a.m. on Monday, 17th April, 2000 to consider and, if thought fit, pass with or without amendments, the following ordinary resolutions and special resolution:

ORDINARY RESOLUTIONS

1 "**THAT:**

the authorised share capital of the Company be and is hereby increased from US$100,000,000 to US$200,000,000 by the creation of 1,000,000,000 new shares having a par value of US$0.10 each in the share capital of the Company."

2 "**THAT:**

the e2-Capital Acquisition Agreement (as defined in the circular dated 25th March, 2000 despatched to shareholders of the Company (the "Circular")), a copy of which has been produced to this meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification and the transactions contemplated thereby be and are hereby approved, ratified and confirmed and that the directors of the Company be and are hereby authorised to do whatever they may consider necessary, desirable or expedient in connection with the implementation of the e2-Capital Acquisition Agreement and the transactions contemplated thereby (including but not limited to the issue and allotment of the e2-Capital Consideration Shares (also as defined in the Circular) to e2-Capital Inc. subject to the terms and conditions contained in the e2-Capital Acquisition Agreement) with such changes as the directors of the Company may consider necessary, desirable or expedient, and to the extent that any act or thing has been done by the directors of the Company for the aforesaid purposes, such acts or things be approved, ratified and confirmed."

3 "**THAT:**

the Boxmore Option Agreement (as defined in the Circular) a copy of which has been produced to this meeting marked "B" and signed by the Chairman of the meeting for the purpose of identification and the transactions contemplated thereby be and are hereby approved, ratified and confirmed and that the directors of the Company be and are hereby authorised to do whatever they may consider necessary, desirable or expedient to implement the Boxmore Option Agreement and the transactions contemplated thereby with such changes as the directors of the Company may consider necessary, desirable or expedient, and to the extent that any act or thing has been done by the directors of the Company for the aforesaid purposes, such acts or things be approved, ratified and confirmed."

4. **"THAT:**

conditional upon the passing of ordinary resolution No.1, the directors of the Company be and are hereby authorised:

(i) to issue and allot the e2-Capital Consideration Shares to e2-Capital Inc. on completion of the e2-Capital Acquisition Agreement;

(ii) to issue and allot the PCL Consideration Shares (as defined in the Circular) to China.com Corporation on completion of the PCL Acquisition Agreement (as defined in the Circular), a copy of which has been produced to the meeting marked "C" and signed by the Chairman of the Meeting for the purpose of identification;

(iii) to issue and allot the GFS Consideration Shares (as defined in the Circular) to Jardine Fleming (B.V.I) Investment Limited and Great Mark Investments Limited on completion of the GFS Acquisition Agreement (as defined in the Circular), a copy of which has been produced to the meeting marked "D" and signed by the Chairman of the Meeting for the purpose of identification;

(iv) to issue and allot the Placing Shares (as defined in the Circular) to their subscribers on completion of the Share Placing Agreement (as defined in the Circular), a copy of which has been produced to the meeting marked "E" and signed by the Chairman of the Meeting for the purpose of identification.

5 **"THAT:**

(a) subject to paragraph (b) below the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and dispose of additional shares in the capital of the Company (in this Resolution No. 5 referred to as the "Shares") and to make or grant offers, agreements and options which would or might require Shares to be allotted, issued or disposed of during or after the end of the Relevant Period, in addition to any Shares issued and allotted:

(i) under any share option scheme or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares to executives and employees of the Company and/or any of its subsidiaries; and

(ii) pursuant to a Rights Issue (as defined below);

be and is hereby generally and unconditionally approved.

(b) the total nominal amount of additional Shares issued, allotted, disposed of or agreed conditionally or unconditionally to be issued, allotted or disposed of (whether pursuant to an option or otherwise) otherwise than pursuant to (i) a Rights Issue, or (ii) the exercise of options granted under the share option scheme or any similiar arrangement of the Company, shall not in total exceed 20 per cent. of the total nominal amount of the share capital of the Company in issue immediately prior to the passing of this Resolution and as enlarged by the issue of new Shares referred to in Resolution No. 4 set out in the notice convening this meeting subject to the passing of that resolution and the approval in paragraph (a) above shall be limited accordingly;

(c) the approval in paragraph (a) above shall be in addition to any other authorisation given to the directors of the Company and, for the avoidance of doubt, in addition to the approval given by the shareholders of the Company to the adoption of the Company's share option scheme, and shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period; and

(d) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and

"Right Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of Shares in the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares, subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or any stock exchange."

6 "**THAT:**

(a) subject to paragraph (c) below the exercise by the directors of the Company during the Relevant Period (defined as below) of all the powers of the Company to repurchase its own shares (in this Resolution No. 6 referred to as the "Shares") and subject to and in accordance with the Rules Governing the Listing of Securities on Stock Exchange of Hong Kong Limited and applicable laws, be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the directors of the Company;

(c) the total nominal amount of the Shares to be repurchased or agreed conditionally or unconditionally to be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue immediately prior to the passing of this Resolution and as enlarged by the issue of new Shares referred to in Resolution No. 4, subject to the passing of that resolution, set out in the notice convening this meeting and the approval in paragraph (a) above shall be limited accordingly; and

(d) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the Shareholders in general meeting."

7 "**THAT:**

subject to and conditional upon the passing of Resolutions Nos. 5 and 6 set out in the notice convening this Meeting, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to issue, allot and otherwise dispose of additional Shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the total nominal amount of Shares in the capital of the Company under the authority granted to the directors of the Company in accordance with Resolutions Nos. 5 and 6."

SPECIAL RESOLUTION

To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

8 "**THAT**

subject to and conditional upon the passing of Resolution No. 2 and the approval of the Registrar of Companies of Bermuda, the name of the Company be changed to "e2-Capital (Holdings) Limited" with effect from the date of issue of the relevant certificate of incorporation on change of name."

By Order of the Board
Thomas K W Cheng
Company Secretary

Hong Kong, 25th March, 2000

Principal Place of Business:
20th Floor, Henley Building
Five Queen's Road Central
Hong Kong

Notes:

1. Every member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In the case of joint holders of a share, if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

3. A form of proxy for use at this Meeting is enclosed.

4. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited at the Company's head office and principal place of business at 20th Floor, Henley Building, 5 Queen's Road Central, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.

5. The record date for ascertaining the members of the Company having the right to attend the Meeting shall be 12th April, 2000. In order to ascertain the right to attend the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Progressive Registration Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on 11th April, 2000.

6. With respect to Resolution No. 7 of this notice, approval is being sought from the shareholders of the Company for an extension of the general mandate to authorise the issue, allotment and dealing of shares by the directors under the Listing Rules.

7 An explanatory statement containing further details on Resolution No. 6 above is being despatched to the shareholders together with the Circular.

8. In connection with the Resolution No. 6 above, the attention of Shareholders is drawn to Appendix VII of this circular which contains a summary of the more important provisions of the Listing Rules relating to the repurchase of Shares on the Stock Exchange.