

CONVERSION OF CONVERTIBLE NOTES

The Directors wish to announce that nine holders of the Convertible Notes, holding an aggregate principal amount of HK\$301,500,000, representing approximately 30.89% of the outstanding principal of HK\$976,000,000, gave ten notices to the Company to convert the Convertible Notes at the conversion price of HK\$0.44 per Share on 7th, 11th, 13th and 18th April, 2006.

Reference is made to the Company's announcement dated 20th April, 2005 (the "**Announcement**") and circular dated 23rd May, 2005 (the "**Circular**"). Unless the context herein otherwise requires, terms used in this announcement shall have the same meanings as defined in the Announcement and the Circular.

The Directors wish to announce that nine holders of the Convertible Notes, holding an aggregate principal amount of HK\$301,500,000, representing approximately 30.89% of the outstanding principal of HK\$976,000,000, gave ten notices to the Company to convert the Convertible Notes at the conversion price of HK\$0.44 per Share on 7th, 11th, 13th and 18th April, 2006 (the "**Conversion**"). Accordingly, the aggregate outstanding principal of the Convertible Notes will be reduced to HK\$674,500,000. As a result of the Conversion, a total of 685,227,267 ordinary Shares of HK\$0.01 each ("**Conversion Shares**"), representing approximately 108.52% of the issued share capital of the Company as at 31st March, 2006 and approximately 52.04% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, has been allotted and issued. Details of the Conversion and the changes in the issued share capital of the Company as at 19th April, 2006 are set out below:

	Number of Shares
Number of issued Shares as at 31st March, 2006	631,436,639
Notice of Conversion received on 7th April, 2006 for the Conversion of the Convertible Notes of HK\$1,500,000 at the conversion price of HK\$0.44 per Share	3,409,090
Notices of Conversion received on 11th April, 2006 for the Conversion of the Convertible Notes of HK\$10,000,000 at the conversion price of HK\$0.44 per Share	22,727,272

* For identification purpose only

Notices of Conversion received on 13th April, 2006 for the Conversion of the Convertible Notes of HK\$270,000,000 at the conversion price of HK\$0.44 per Share (<i>Notes</i>)	613,636,360
Notice of Conversion received on 18th April, 2006 for the Conversion of the Convertible Notes of HK\$20,000,000 at the conversion price of HK\$0.44 per Share	45,454,545
Number of issued Shares immediately after the issue of the Conversion Shares	1,316,663,906

Notes:

So far as was known to the Directors, these Convertible Notes were held by the following persons who, after the Conversion thereof and the Conversion Shares having been issued and allotted thereto, would become substantial shareholders of the Company (as defined under the Listing Rules):

1. Upon the Conversion of the Convertible Notes of HK\$50,000,000 at the conversion price of HK\$0.44 per Share for 113,636,363 Shares, Kopola Investment Company Limited (“**Kopola**”) will become interested in approximately 8.63% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Mr. Ho Hau Chong, Norman (“**Mr. Ho**”), a non-executive Director, is deemed to be interested in these Shares upon the Conversion by virtue of his 50% interest in Kopola. Following the Conversion and as at the date of this announcement, Kopola held Convertible Notes in the remaining principal amount of HK\$100,000,000 and Mr. Ho did not have any interest in the shares of the Company other than through his interest in Kopola.
2. Upon the Conversion of the Convertible Notes of HK\$120,000,000 at the conversion price of HK\$0.44 per Share for 272,727,272 Shares, Loyal Concept Limited (“**Loyal Concept**”) will become interested in approximately 20.71% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Hanny Holdings Limited (“**Hanny Holdings**”) and Hanny Magnetics (B.V.I.) Limited (“**Hanny Magnetics**”) will deem to have an interest in 272,727,272 Shares since Loyal Concept is a wholly-owned subsidiary of Hanny Magnetics which, in turn, is a wholly-owned subsidiary of Hanny Holdings, the shares of which are listed on the Stock Exchange. By virtue of the SFO, Hanny Holdings and Hanny Magnetics are deemed to be interested in these Shares upon the Conversion. Following the Conversion and as at the date of this announcement, Loyal Concept held Convertible Notes in the remaining principal amount of HK\$330,000,000.

In addition, Mrs. Chu Yuet Wah and Ms. Ma Siu Fong own 51% and 49% interest in Kingston Finance Limited (“**Kingston**”) respectively which owns a security interest of the Shares and the Convertible Notes held by Loyal Concept. Ms. Ma Siu Fong is the spouse of Mr. Lee Wai Man. By virtue of the SFO, Mrs. Chu Yuet Wah, Ms. Ma Siu Fong and Mr. Lee Wai Man are deemed to be interested in the Shares and the Convertible Notes of which Kingston has an interest.

3. Upon the Conversion of the Convertible Notes of HK\$18,000,000 at the conversion price of HK\$0.44 per Share for 40,909,090 Shares by Stark International (“**Stark**”), the Convertible Notes of HK\$27,000,000 at the conversion price of HK\$0.44 per Share for 61,363,636 Shares by Stark Asia Master Fund Ltd. (“**Stark Asia**”), the Convertible Notes of HK\$45,000,000 at the conversion price of HK\$0.44 per Share for 102,272,727 Shares by Shepherd Investments International, Ltd. (“**Shepherd**”) and the Convertible Notes of HK\$10,000,000 at the conversion price of HK\$0.44 per Share for 22,727,272 Shares by Centar Investments (Asia) Ltd. (“**Centar**”), Stark Investments (Hong Kong) Limited (“**Stark HK**”), being taken to have an interest in these Shares held by Stark, Stark Asia, Shepherd and Centar, will become interested in approximately 17.26% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Following the Conversion and as at the date of this announcement, Stark held Convertible Notes in the remaining principal amount of HK\$17,100,000, Stark Asia held Convertible Notes in the remaining principal amount of HK\$25,650,000, Shepherd held Convertible Notes in the remaining principal amount of HK\$42,750,000 and Centar held Convertible Notes in the remaining principal amount of HK\$9,500,000. Stark HK is also taken to have an interest in the Convertible Notes held by Stark, Stark Asia, Shepherd and Centar.

Set out below is a table showing the Company’s shareholding structure (i) as at 31st March, 2006, being the date of the last Monthly Announcement and (ii) immediately after the Conversion.

CHANGES IN SHAREHOLDING STRUCTURE

Shareholders	As at 31st March, 2006		Immediately after the Conversion	
	No. of issued Shares	Approximate percentage of issued share capital (%)	No. of issued Shares	Approximate percentage of issued share capital (%)
Loyal Concept	-	-	272,727,272	20.71
Stark HK	-	-	227,272,725	17.26
Kopola	-	-	113,636,363	8.63
Other Fund Subscribers	-	-	45,454,545	3.45
Placees	-	-	26,136,362	1.99
Public	631,436,639	100.00	631,436,639	47.96
Total	<u>631,436,639</u>	<u>100.00</u>	<u>1,316,663,906</u>	<u>100.00</u>

This announcement is only released through the website of the Stock Exchange and no publication in the newspaper is made.

By order of the Board
Yan Ha Hung, Loucia
Company Secretary

Hong Kong, 20th April, 2006

As at the date of this announcement, the Board comprises Mr. Cheung Hon Kit (Chairman) and Mr. Chan Fut Yan (Managing Director) as executive Directors, Mr. Ho Hau Chong, Norman (Deputy Chairman) and Mr. Lo Lin Shing, Simon as non-executive Directors, and Mr. Wong Chi Keung, Alvin, Mr. Kwok Ka Lap, Alva and Mr. Chui Sai Cheong as independent non-executive Directors.