

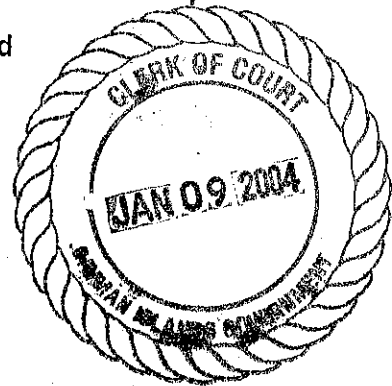
IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. 14 OF 2004

In the matter of **Cosmopolitan International Holdings Limited**

And in the matter of the Companies Law (2003 Revision)

And Grand Court Rules 1995 Order 102



PETITION

The Grand Court of the Cayman Islands

THE PETITION of Cosmopolitan International Holdings Limited shows as follows:

1. The object of this Petition is to seek an Order of the Court pursuant to section 15 of the Companies Law (2003 Revision) (the "Companies Law") confirming a reduction of the capital of your Petitioner **Cosmopolitan International Holdings Limited** (the "Company").
2. The Company was incorporated under the Companies Law on 26 March 1991 with the name Cosmopolitan International Limited and registered in the Cayman Islands as an exempted company with registration number MC-39125. By resolutions of the then shareholders of the Company passed on 9 April 1991, the Company changed its name to Cosmopolitan International Holdings Limited.
3. The registered office of the Company is situated at the offices of Maples and Calder, P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies.
4. As at the date of incorporation of the Company, its authorised share capital was HK\$6,500,000 divided into shares of a nominal or par value of HK\$0.10 each. On 26 March 1991, two shares of HK\$0.10 were allotted and issued fully paid.
5. By resolutions of the then shareholders of the Company passed on 30 May, 1991, the authorized share capital of the Company was increased from HK\$6,500,000 to HK\$10,000,000 comprising of 100,000,000 shares of HK\$0.10 each.

6. By resolutions of the then shareholders of the Company passed on 27 June, 1996, the authorized share capital of the Company was increased from HK\$10,000,000 to HK\$20,000,000 comprising of 200,000,000 shares of HK\$0.10 each.
7. By resolutions of the then shareholders of the Company passed on 3 March, 2003, the authorized share capital of the Company was increased from HK\$20,000,000 to HK\$50,000,000 comprising of 500,000,000 shares of HK\$0.10 each.
8. By resolutions of the then shareholders of the Company passed on 20 August, 2003, the authorized share capital of the Company was increased from HK\$50,000,000 to HK\$250,000,000 comprising of 2,500,000,000 shares of HK\$0.10 each.
9. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited. Over the years, the Company has allotted and issued various tranches of ordinary shares, being the only class of shares of the Company. As at the date of this petition, the issued share capital of the Company is HK\$53,210,000 comprising 532,100,000 shares of HK\$0.10 each.
10. The objects for which the Company was formed are unrestricted and the Company has full power and authority to carry out any object not prohibited by any law as provided in section 7(4) of the Companies Law.
11. The Articles of Association of the Company provide, *inter alia*, as follows:

Article 8 *"The Company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe."*

Article 63(a) *"The Company may from time to time by ordinary resolution:-*

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, or any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;*
- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of its shares so cancelled; and*
- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting*

from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares."

Article 63(b) *"The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorized and subject to any conditions prescribed by Law."*

12. By a special resolution of the Company duly passed in accordance with section 14(1) of the Companies Law at an extraordinary general meeting held on 8 December, 2003, (the "Extraordinary General Meeting"), it was resolved:

"THAT, subject to and conditional upon:

- (i) confirmation of the Capital Reduction (as hereinafter defined) by the Grand Court of the Cayman Islands (the "Court"), the registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court and a copy of the minute approved by the Court, both confirming the Capital Reduction and the compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction; and*
- (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of, and permission to deal in, the new ordinary shares of HK\$0.001 each (the "New Shares") in the share capital of the Company arising upon the Capital Reduction becoming unconditional and effective:*
 - (a) the issued share capital of the Company be reduced (the "Capital Reduction") by canceling paid-up capital to the extent of HK\$0.099*

on each existing share of HK\$0.10 of the Company (the "Existing Shares") in issue as at the effective date of the Capital Reduction (the "Effective Date") so that each such share shall be treated as one fully paid up New Share of HK\$0.001 each in the issued share capital of the Company and that the amount of issued capital hereby cancelled be made available for issue of the New Shares and the value of each of the authorized but unissued shares in the capital of the Company be reduced from a nominal value of HK\$0.10 to a nominal value of HK\$0.001 by way of subdivision so that the authorized capital of the Company of HK\$250,000,000 remains unchanged on the Effective Date;

- (b) the Directors be and are hereby authorized to apply the credit arising from the Capital Reduction towards the reduction of the balance of the Accumulated Loss of the Company remaining after the Share Premium Cancellation referred to in Resolution 1 above and the remainder, if any, to a distributable reserve of the Company to be applied in such manner as the Directors consider appropriate; and*
- (c) the Directors be and are hereby authorized generally to do all acts and things, and to approve, sign and execute all other documents which in their opinion may be necessary, desirable or expedient to carry into effect or to give effect to the Capital Reduction."*

Each of the capitalized terms referred to in the special resolution above are defined in the information circular exhibited to the affirmation of Ma Kwai Leung, Joseph.

13. There was an accumulated loss of HK\$132,091,000 as shown in the audited accounts of the Company for the year ended 31 March, 2003. The purpose of the proposed Capital Reduction is to enable the Company to apply the credit arising from the Capital Reduction towards the reduction of the balance of the accumulated loss of the Company as at the effective date of the Capital Reduction remaining after the cancellation of the share premium account and the remainder (if any) to a

distributable reserve of the Company. The Capital Reduction will also provide greater flexibility in pricing future capital raising exercises when circumstances arise.

14. The proposed Capital Reduction does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital. Furthermore, the Capital Reduction will not alter the underlying assets, business operations, management or financial position of the Company nor will it affect the proportionate interests of the shareholders.
15. The form of Minute proposed to be registered is as follows:

"The issued capital of Cosmopolitan International Holdings Limited was by virtue of a Special Resolution passed on 8 December, 2003 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [•], 2004, reduced from HK\$53,210,000 divided into 532,100,000 shares of HK\$0.10 each to HK\$532,100 divided into 532,100,000 shares of HK\$0.001 each and that the amount of issued capital of the Company hereby cancelled be made available for issue of shares of nominal value of HK\$0.001 each. At the date of the registration of this Minute all such shares have been issued and are fully paid up or deemed to be fully paid up.

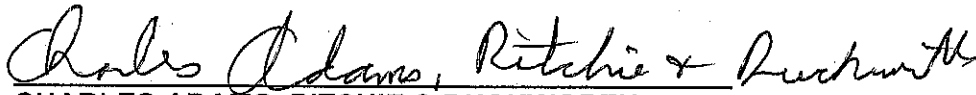
The authorised share capital of the Company is on the registration of this Minute HK\$250,000,000."

Your Petitioner, the Company, therefore prays as follows:

- (1) That the Capital Reduction of the Company proposed to be effected by the special resolution set forth in paragraph 12 of this Petition may be confirmed and that the above-mentioned Minute may be approved by the Court.
- (2) That to this end, all necessary inquiries and directions may be made and given.
- (3) Such further and other order as this Honourable Court shall think fit.

NOTE: It is intended to serve this Petition on Cosmopolitan International Holdings Limited, at its registered office located at the offices of Maples and Calder, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

DATED THIS 9th DAY OF January, 2004.


CHARLES ADAMS, RITCHIE & DUCKWORTH
Attorneys-at-Law for the Petitioner herein

This Petition was filed by Charles Adams, Ritchie & Duckworth, Attorneys-at-Law for and on behalf of the Applicant herein whose address for service is that of its Attorneys, P.O. Box 709GT, Zephyr House, Mary Street, George Town, Grand Cayman, Cayman Islands.