

CAUSE NO. 253 OF 2005

IN THE GRAND COURT OF THE CAYMAN ISLANDS

In the matter of **Kamboat Group Company Limited (金龍船集團有限公司)**

And in the matter of the Companies Law (2004 Revision)

And Grand Court Rules 1995 Order 102

PETITION



TO: The Grand Court of the Cayman Islands

THE PETITION of Kamboat Group Company Limited (金龍船集團有限公司) 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 (2004 Revision) (the "Companies Law") confirming a reduction of the capital of your Petitioner, Kamboat Group Company Limited (金龍船集團有限公司) (the "Company").
2. The Company was incorporated under the Companies Law on 26 June, 2001 under the name of "Kamboat Group Company Limited" and registered in the Cayman Islands as an exempted company with registration number CR-111141. By a special resolution of the then shareholders of the Company passed on 30 July, 2001, the Company changed its name to "Kamboat Group Limited". By a special resolution of the then shareholders of the Company passed on 30 July, 2001, the Company changed its name to "Kamboat Group Company Limited (金龍船集團有限公司)".
3. The registered office of the Company is situated at the offices of Codan Trust Company (Cayman) Limited, P.O. Box 2681, Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, British West Indies.

4. As at the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 3,800,000 shares of a nominal or par value of HK\$0.10 each. On 3 July, 2001, one share of HK\$0.10 was allotted and issued nil-paid.
5. By resolutions of the then shareholders of the Company passed on 16 August, 2001, the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each.
6. By resolutions of the then shareholders of the Company passed on 17 August, 2001, each issued and unissued share each in the authorised share capital of the Company was subdivided into two (2) shares of HK\$0.05 each.
7. By resolutions of the then shareholders of the Company passed on 11 March, 2003, every five (5) issued and unissued shares of HK\$0.05 each in the authorised share capital of the Company was consolidated into one (1) share (the "Share" or "Shares") of HK\$0.25 each.
8. The Shares are listed on The Stock Exchange of Hong Kong Limited. As at the date of this petition, the authorised share capital of the Company is HK\$200,000,000 divided into 800,000,000 Shares and its issued share capital is HK\$25,016,475 divided into 100,065,900 Shares which have been paid-up or credited as fully paid-up.
9. The objects for which the Company was formed are unrestricted and the Company has and is capable of exercising all the functions of a natural person of full capacity irrespective of any corporate benefit, as provided by section 27(2) of the Companies Law.
10. The Articles of Association of the Company provide, *inter alia*, as follows:

Article 4 "*The Company may from time to time by ordinary resolution in accordance with the [Companies] Law alter the conditions of its Memorandum of Association to:-*

- (a) *increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;*
- (b) *consolidate and divide all or any of its capital into shares of larger amount than its existing shares;*
- (c) *divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting";*
- (d) *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 [Companies] Law), and may by such resolution 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, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;*
- (e) *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 capital by the amount of the shares so cancelled or, in the case of shares, without par*

value, diminish the number of shares into which its capital is divided."

Article 6

"The Company may from time to time by special resolution, subject to any confirmation or consent required by the [Companies] Law, reduce its share capital or any share premium account or any capital redemption reserve or other undistributable reserve in any manner permitted by law."

11. 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 26 May, 2005, (the "Extraordinary General Meeting"), it was resolved:

"THAT, subject to and conditional upon:

Confirmation of the Capital Reduction (as defined below) by the Grand Court (the "Court") of the Cayman Islands, registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Capital Reduction and the minute approved by the Court in respect of the Capital Reduction and compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction (the "Effective Date"):

- (a) the issued share capital of the Company be reduced by canceling paid-up capital to the extent of HK\$0.249 on each of the shares of HK\$0.25 each in the capital of the Company in issue on the Effective Date (the "Capital Reduction") so that each issued share in the capital of the Company shall be treated as one fully-paid up share of HK\$0.001 each in the capital of the Company (the "New Shares") and any liability of the holders of New Shares to make any further contribution to the capital of the Company on each such New Shares shall be treated as satisfied;

- (b) subject to and forthwith upon the Capital Reduction taking effect, the entire amount standing to the credit of the share premium account of the Company as at 31 October 2004 be cancelled (the "Share Premium Cancellation");

- (c) *subject to and forthwith upon the Capital Reduction and Share Premium Cancellation taking effect, the credit amounts arising from the Capital Reduction and Share Premium Cancellation be applied to a distributable reserve of the Company where they may be utilized by the directors in accordance with the articles of association of the Company and all applicable laws, including to eliminate the accumulated losses of the Company as at 31 October 2004 (the "Application of Credit");*
- (d) *subject to and forthwith upon the Capital Reduction taking effect, each share of HK\$0.25 each in the entire authorized but unissued share capital of the Company, including the authorized but unissued share capital arising from the Capital Reduction, be subdivided into two hundred and fifty (250) New Shares such that the authorized share capital of the Company shall be HK\$200,000,000 divided into 200,000,000 New Shares (the "Subdivision");*
- (e) *subject to and forthwith upon the Subdivision taking effect, clause 8 of the Memorandum of Association of the Company be deleted in entirety and the following new clauses 8 and 9 be inserted in substitution therefore:*
- "8. The share capital of the Company is HK\$200,000,000 divided into 200,000,000 shares of a nominal or par value of HK\$0.001 each.
9. The Company may exercise the power contained in the Companies Law to deregister in the Cayman Islands and be registered by way of continuation in another jurisdiction."
- (the "Amendment"); and*
- (f) *any one director of the Company be and is hereby authorized generally to do all such acts, deeds and things as he shall, in his absolute discretion, deem appropriate to effect and implement the Capital Reduction, the Share Premium Cancellation, the Application of Credit, the Subdivision and the Amendment*

(collectively, the "Capital Reorganisation").

Each of the capitalised terms referred to in the special resolution above are defined in the information circular exhibited to the affirmation of [●].

12. The number of shareholders of the Company present and voting in person or by proxy at the Extraordinary General Meeting was as set out in the table below:-

Present & Voting			For		Against	
How Present	No.	Shares Represented	No.	Shares Represented	No.	Shares Represented
In person	12	14,696,900	12	14,696,900	0	0
By proxy	11	1,066,000	11	1,066,000	0	0
Total	23	15,762,900	23	15,762,900	0	0

As appears from the table, the Extraordinary General Meeting was attended either personally or by proxy by 23 shareholders, representing 15,762,900 Shares of which 12 shareholders representing 14,696,900 Shares in the Company voted in favour of the resolution in person and 11 shareholders representing 1,066,000 Shares voted in favour of the resolution by proxy. No shareholders voted against the resolution. Therefore, all of the persons present and voting in person or by proxy at the Extraordinary General Meeting representing all of the votes cast in respect of the resolution approved the Capital Reduction, satisfying the majority for a special resolution required to approve the Capital Reduction under the Articles of Association of the Company.

13. There was an accumulated loss of HK\$14,211,000 (rounded to the nearest thousand Hong Kong dollars) as shown in the unaudited accounts of the Company for the year ended 31 October, 2004. Further, since about June 2004, the Shares have traded at prices near their par value and the closing price of the Shares as at 6 June 2005, the last

day of trading prior to the issue of an announcement of a potential investor in the Company, was HK\$0.4 per Share. The purpose of the proposed Capital Reduction is to enable the Company to apply the credit arising from the Capital Reduction towards the elimination of the balance of the accumulated losses of the Company as at 31 October, 2004 and to enable the Company to issue further shares in the capital of the Company without having to obtain shareholder approval and court sanction to issue shares at a discount to their nominal value and 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 ordinary share capital of Kamboat Group Company Limited (金龍船集團有限公司) was by virtue of a Special Resolution passed on 26 May, 2005 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [•], 2005, reduced from HK\$25,016,475.00 divided into 100,065,900 shares of HK\$0.25 each to HK\$100,065.90 divided into 100,065,900 shares of HK\$0.001 each (the “Capital Reduction”). 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. Thereafter, each of the shares in the balance of the authorized but unissued capital was subdivided into 250 shares of HK\$0.001 each and forthwith upon such Capital Reduction and subdivision becoming effective, the authorized share capital of the Company shall be HK\$200,000,000 divided into 200,000,000 new shares of HK\$0.001 each.

The authorised share capital of the Company, on the registration of this Minute, is HK\$200,000,000.00.”


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 11 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 Kamboat Group Company Limited, at its registered office located at the offices of Codan Trust Company (Cayman) Limited, P.O. Box 2681, Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, British West Indies.

DATED THIS 2nd DAY OF June, 2005.


Charles Adams, Ritchie & Duckworth
Attorneys-at-Law for the Petitioner herein


29th July 2005
@ 10:00 a.m.

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.

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