

**NEW SMART HOLDINGS LTD AND MEXAN LTD:
THE BATTLE OF THE CHAIRMEN BEGINS**

Casus Belli ?
Caveat Emptor !

The Chairmen of 2 publicly listed companies, both of which are listed on The Stock Exchange of Hongkong Ltd, have decided, openly, to engage in a financial fist-fight.

The 2 gentlemen are:

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| 1. Mr Tong Nai Kan | Chairman and Managing Director, New Smart Holdings Ltd (Code: 91, Main Board, The Stock Exchange of Hongkong Ltd) |
| 2. Mr Lau Kan Shan | Chairman, Mexan Ltd (Code: 22, Main Board, The Stock Exchange of Hongkong Ltd) |

Mr Tong Nai Kan (唐乃勤) has sued Mr Lau Kan Shan (劉根山) in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), alleging that Mr Lau Kan Shan owes him \$HK16 million.

According to the Statement of Claim, attached to High Court Action Number 1103, it is alleged that Mr Lau Kan Shan had entered into an agreement with Mr Tong Nai Kan whereby Mr Lau Kan Shan would sell an interest in Shanghai Mexan Enterprise Development (Group) Company Ltd (上海茂盛企業發展(集團)有限公司) to Mr Tong Nai Kan at a consideration of 175 million renminbi (about \$HK165.09 million).

Shanghai Mexan Enterprise has a 70-percent interest in the operations of Shaoxing Yongjin Expressway 甬金高速公路 via another company, named Shaoxing Yongjin Expressway Construction and Development Company Ltd.

The purported agreement was said to have been written in the Chinese language and was allegedly signed on December 31, 2004, according to Paragraph 2 of the Statement of Claim.

In order to obtain the interest in Shanghai Mexan Enterprise, Mr Tong Nai Kan was required to pay a \$HK20-million deposit and, upon receipt of this deposit, Mr Lau Kan Shan was required to present Mr Tong Nai Kan with all relevant documentation and to effect the transfer of the interest in Shanghai Mexan Enterprise to Mr Tong Nai Kan.

However, in the event that Mr Lau Kan Shan was unable to keep to his part of the bargain, he would return the deposit money to Mr Tong Nai Kan within 10 days, it is alleged at Paragraph 2.d. of the Statement of Claim.

It was stipulated, at Paragraph 2.e. of the Statement of Claim, that Mr Tong Nai Kan would make his \$HK20-million deposit into the personal account of Mr Lau Kan Shan at The Hongkong and Shanghai Banking Corporation Ltd, Account Number 110-804-572-001.

Between January 5, 2005, and January 30, 2005, Mr Tong Nai Kan alleged that he deposited, in aggregate, \$HK20 million into the bank account of Mr Lau Kan Shan.

However, having paid the deposit, it is alleged that Mr Tong Nai Kan neither received the necessary documentation with regard to the asset that he was desirous of obtaining nor was there a transfer of title of his interest in Shanghai Mexan Enterprise to him.

To make matters worse, it is alleged that Mr Tong Nai Kan is, now, unable to obtain back most of his \$HK20-million deposit money.

After sending a solicitor's letter to Mr Lau Kan Shan, demanding the return of his money, Mr Tong Nai Kan was paid, on May 25, 2005, the sum of \$HK4 million.

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