

FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18th March, 2002. The Company was registered as an oversea company under Part XI of the Companies Ordinance on 6th June, 2002 and has registered Unit 1901, 19th Floor, Hong Kong Worsted Mills Industrial Building, Nos. 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong as its place of business in Hong Kong under Part XI of the Companies Ordinance. In connection with such registration, Mr. Yeung and Mr. Hung have been appointed as the authorised representatives of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of the Company

- (a) The Company was incorporated in the Cayman Islands on 18th March, 2002 with an authorised capital of HK\$350,000 divided into 3,500,000 shares of HK\$0.10 each.
- (b) On 18th April, 2002, one share of HK\$0.10 in the share capital of the Company was allotted and issued, nil paid, to Codan Trust Company (Cayman) Limited, the initial subscriber. On the same date, such share was transferred to Imperial Profit.
- (c) On 18th April, 2002, 67,229, 27,970 and 4,800 shares of HK\$0.10 each in the share capital of the Company were allotted and issued, nil paid, to Imperial Profit, Primer Capital and Top Network respectively.
- (d) Pursuant to the written resolutions of all the then shareholders of the Company dated 26th November, 2002, among other things:
 - (i) each share of HK\$0.10 in the authorised share capital of the Company was subdivided in 10 shares of HK\$0.01 each;
 - (ii) the authorised share capital of the Company was increased from HK\$350,000 to HK\$80,000,000 by the creation of an additional 7,965,000,000 new Shares;
 - (iii) an aggregate of 1,000,000 Shares allotted and issued nil paid to (i) Imperial Profit for 672,300 Shares; (ii) Primer Capital for 279,700 Shares; and (iii) Top Network for 48,000 Shares were credited as fully paid as described in the paragraph headed “Written resolutions of all the shareholders of the Company dated 26th November, 2002” below;

- (iv) conditional on the share premium account of the Company being credited as a result of the Share Offer, the sum of HK\$3,113,750 was directed by the Directors to be capitalised from the amount standing to the credit of the share premium account of the Company and the said sum be applied in paying up in full at par 311,375,000 Shares, such Shares to be allotted and issued, credited as fully paid at par, as follows:

Shareholder	Number of Shares issued by way of Capitalisation Issue
Imperial Profit	209,327,700
Primer Capital	87,095,300
Top Network	14,952,000

Immediately following the completion of the Share Offer and the Capitalisation Issue, the authorised share capital of the Company will be HK\$80,000,000 divided into 8,000,000,000 Shares and the issued share capital will be HK\$3,750,000 divided into 375,000,000 Shares (each of which will be fully paid or credited as fully paid) and 7,625,000,000 Shares will remain unissued (assuming that the Over-allotment Option is not exercised). Other than the Shares issuable pursuant to the exercise of the Over-allotment Option and any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in the paragraph headed “Written resolutions of all the shareholders of the Company dated 26th November, 2002” below, the Directors have no present intention to issue any of the authorised but unissued capital of the Company, and without the prior approval of the shareholders of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions of all the shareholders of the Company dated 26th November, 2002

Pursuant to the written resolutions passed by all the then shareholders of the Company dated 26th November, 2002, inter alia:

- (a) the Company adopted the existing articles of association;
- (b) each share of HK\$0.10 in the authorised share capital of the Company was subdivided into 10 shares of HK\$0.01 each;
- (c) the authorised share capital of the Company was increased from HK\$350,000 to HK\$80,000,000 by the creation of an additional 7,965,000,000 new Shares;
- (d) as consideration for the acquisition by the Company of 10,000 shares of US\$1.00 each in the share capital of Warderly Group representing its entire issued share capital, the Directors were authorised to credit as fully paid up at premium of an aggregate of 1,000,000 Shares already allotted and issued nil paid to (i) Imperial Profit for 672,300 Shares; (ii) Primer Capital for 279,700 Shares; and (iii) Top Network for 48,000 Shares respectively;

- (e) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (ii) the obligations of the Underwriters under the Share Offer and the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Lead Manager on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise, in each case on or before a month after the date of the prospectus (or such later date as the Lead Manager may agree), the Share Offer on the terms and subject to the conditions mentioned in this prospectus at the Offer Price and subject to such modifications as may be decided by the Board or the committee thereof was approved and that the Directors were authorised to effect the same and to allot and issue Shares pursuant thereto and the Over-allotment Option pursuant to which the Underwriters under the Underwriting Agreement may require the Company to issue up to 14,000,000 Shares was granted to the Underwriters;
- (f) conditional on the share premium account of the Company being credited as a result of the Share Offer, the sum of HK\$3,113,750 was directed by the Directors to be capitalised from the amount standing to the credit of the share premium account of the Company and the said sum be applied in paying up in full at par 311,375,000 Shares, such Shares to be allotted and issued, credited as fully paid at par, as follows and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the existing Shares and the Directors were authorised to give effect to the capitalisation:

Shareholder	Number of Shares issued by way of Capitalisation Issue
Imperial Profit	209,327,700
Primer Capital	87,095,300
Top Network	14,952,000

- (g) conditional on (i) the Listing Committee granting approval of the Share Option Scheme and the granting of any options thereunder and the granting of the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any such option under the Share Option Scheme and the Shares which may be required to be issued if the Over-allotment Option is exercised, and (ii) the obligations of the Underwriters under the Share Offer and the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Lead Manager on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise and in each case on or before a month after the date of the prospectus (or such other date as the Lead Manager may agree on behalf of the Underwriters), the Share Option Scheme was approved and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

- (h) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights or an issue of shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company or a specific authority granted by the shareholders of the Company in general meeting, Shares with a total nominal value not exceeding 20% of (i) the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation issue and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option, such mandate to remain in effect 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 articles of association of the Company or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (i) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of (i) the aggregate of the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option, such mandate to remain in effect 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 articles of association of the Company or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate; and
- (j) the general unconditional mandate mentioned in paragraph (g) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company

pursuant to the mandate to repurchase Shares referred to in paragraph (h) above provided that such extended amount shall not exceed 10% of (i) the aggregate of the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option.

4. Corporate reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Main Board. Following the reorganisation, the Company became the ultimate holding company of the Group. The corporate reorganisation involved the following:

- (a) The Company was incorporated in the Cayman Islands as an exempted company on 18th March, 2002 with an authorised share capital of HK\$350,000 divided into 3,500,000 Shares.
- (b) Warderly Group was incorporated in BVI on 20th March, 2002 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each ("Warderly Group Shares"). No Warderly Group Shares were allotted and issued upon incorporation.
- (c) Rockcastle Assets Limited was incorporated in BVI on 12th February, 2002 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 1 share was allotted and issued to Mr. Yeung at par. On 18th November, 2002, Warderly Group acquired the entire issued share capital of Rockcastle Assets Limited from Mr. Yeung in consideration for the allotment and issue of 2,000 Warderly Group Shares, credited as fully paid, to Mr. Yeung.
- (d) Top Global was incorporated in BVI on 12th February, 2002 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 90 and 10 shares were allotted and issued to Mr. Yeung and Mr. Hung at par respectively. On 18th November, 2002, Warderly Group acquired the entire issued share capital of Top Global from Mr. Yeung and Mr. Hung in consideration for the allotment and issue of 1,520 Warderly Group Shares, credited as fully paid, to Mr. Yeung and 480 Warderly Group Shares, credited as fully paid, to Mr. Hung.
- (e) On 18th November, 2002, the authorised share capital of Housely was increased from HK\$1,000,000 to HK\$1,001,000 by the creation of 1,000 new shares of HK\$1.00 each which were allotted and issued to Warderly Group. The consideration for the allotment and issue was satisfied by the allotment and issue of 2,000 Warderly Group Shares, credited as fully paid, to Mr. Yeung. On 18th November, 2002, an aggregate of 1,000,000 shares of HK\$1.00 each held in the name of Riverflow Profits Limited and Yin See (Nominees) Limited (held in trust for Riverflow Profits Limited) were converted into non-voting deferred shares of HK\$1.00 each.
- (f) On 18th November, 2002, the authorised share capital of Tacho was increased from HK\$10,000 to HK\$11,000 by the creation of 1,000 new shares of HK\$1.00 each which were allotted and issued to Warderly Group. The consideration for the allotment

and issue was satisfied by the allotment and issue of 2,000 Warderly Group Shares, credited as fully paid, to Mr. Yeung. On 18th November, 2002, an aggregate of 2 shares of HK\$1.00 each held in the name of Mr. Yeung and Ms. Chan Yuk (held in trust of Mr. Yeung) were converted into non-voting deferred shares of HK\$1.00 each.

- (g) On 18th November, 2002, the authorised share capital of GEHK was increased from HK\$10,000 to HK\$11,000 by the creation of 1,000 new shares of HK\$1.00 each which were allotted and issued to Warderly Group. The consideration for the allotment and issue of 2,000 Warderly Group Shares, credited as fully paid, to Mr. Yeung. On 18th November, 2002, an aggregate of 10,000 shares of HK\$1.00 each held in the name of Mr. Yeung and Ms. Wong Siu Fong (held in trust for Mr. Yeung) were converted into non-voting deferred shares of HK\$1.00 each.

On 26th November, 2002, the Company acquired the entire issued share capital of Warderly Group from Mr. Yeung and Mr. Hung respectively in consideration for the paying up of the nil-paid Shares referred to in the paragraph headed “Written resolutions of all the shareholders of the Company dated 26th November, 2002” in this Appendix.

5. Changes in the share capital or registered capital of the subsidiaries of the Company

The Company’s subsidiaries are listed in the accountants’ report, the text of which is set out in Appendix I to this prospectus.

In addition to those mentioned in the paragraph headed “Corporate reorganisation” in this section of this Appendix, the following alterations and transfers in the share capital or registered capital in the subsidiaries of the Company have taken place within the two years preceding the date of the prospectus:

- (a) On 23rd August, 2000, the registered capital of DGKL was increased from HK\$20,000,000 to HK\$20,250,000.
- (b) On 8th June, 2001, the registered capital of DGKL was increased from HK\$20,250,000 to HK\$43,150,000.
- (c) DGWLG was incorporated in the PRC as a wholly foreign-owned enterprise with a registered capital of HK\$4,800,000 on 14th March, 2002.

Save as disclosed in this prospectus, there has been no other alterations and transfers in the share capital or registered capital of the subsidiaries of the Company in the two years preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

Pursuant to the written resolutions of all the then shareholders of the Company dated 26th November, a general unconditional mandate (the “Buyback Mandate”) was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is

recognised by the SFC in Hong Kong and the Stock Exchange of up to 10% of the total nominal value of the share capital of the Company in issue immediately after completion of the Share Offer and the Capitalisation Issue and (if applicable) the exercise of the Over-allotment Option, at any time until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable laws of the Cayman Islands to be held or the passing of an ordinary resolution of shareholders of the Company in general meeting revoking, varying or renewing such mandate, whichever occurs first.

(a) *Exercise of the Buyback Mandate*

Exercise in full of the Buyback Mandate, on the basis of 375,000,000 Shares in issue immediately after listing of the Shares (and taking no account of any Shares which may be allotted pursuant to the Over-allotment Option) could accordingly result in up to 37,500,000 Shares being repurchased by the Company during the period up to (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 articles of association of the Company or any other applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the buyback mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

(b) *Reasons for repurchases*

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws and regulations of the Cayman Islands.

(d) *General*

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Buyback Mandate is exercised in full. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the memorandum and the articles of association of the Company and the applicable laws of the Cayman Islands.

None of the Directors and, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, have any present intention, if the Buyback Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he or she has a present intention to sell Shares to the Company or has undertaken not to do so.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert, depending on the level of increase in the shareholder's interest, could obtain or consolidate control of the Company and become (s) obliged to make a mandatory offer in accordance with rule 26 of the Code.

FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

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

- (a) A supplemental articles no. 2 dated 24th November, 2000 entered into between Tacho and Housely in relation to the transfer of Tacho's entire interest in DGKL to Housely.
- (b) A cancellation agreement dated 12th April, 2002 entered into between Tacho and Housely in relation to the cancellation of the supplemental articles no. 2 described in paragraph (a) above.
- (c) An assignment dated 7th April, 2001 made between Mr. Yeung as assignor and Housely as assignee pursuant to which Mr. Yeung agreed to assign and transfer to Housely his entire right, title and interest for the U.S. in the invention known as "Oil-Filled Radiator" for which Mr. Yeung had executed an application for patent in the U.S. and filed on 27th June, 2001 at a consideration of US\$1.00.
- (d) An exclusive licence deed dated 18th February, 2002 made between Top Global as licensee and Mr. Yeung as licensor pursuant to which Mr. Yeung agreed to license to the Group the use of an invention relating to an air-ventilating device having a thermal exchanger and an air filter at a licence fee of US\$1.00 and the reproduction of the design entitled "ventilator" registered in Hong Kong in the name of Mr. Yeung and with registration no. 0111515.7 at a licence fee of US\$1.00.
- (e) A supplemental exclusive management contract dated 29th April, 2002 and made between 東莞市常平鎮經濟發展總公司 (Dongguan Chang Ping Economic Development Corporation), 廣東省東莞市外貿開發公司 (Guangdong Foreign Trade Development Company), Tacho and 廣東省機械設備進出口集團公司 (Guangdong Machinery and Equipment Import and Export Holding Company) confirming the financial arrangements of the four parties as set out in the agreement made by them on 26th April, 1994.
- (f) A deed of indemnity dated 28th November, 2002, in respect of, among other matters, estate duty and taxation referred to in the sub-paragraph headed "Estate duty and tax indemnity" under the section headed "Other information" of this Appendix.

- (g) The Underwriting Agreement.
- (h) A reorganisation agreement dated 26th November, 2002 and made between Mr. Yeung and Mr. Hung as vendors, the Company as purchaser and Warderly Group for the acquisition of the entire issued share capital of Warderly Group in consideration for the paying up of an aggregate of 100,000 Shares previously allotted and issued nil-paid, as to 67,230 to Imperial Profit, 27,970 to Primer Capital and 4,800 to Top Network.

2. Intellectual property rights of the Group

(i) Trademarks

As at the Latest Practicable Date, the Group has registered the following trademarks:

Trademark	Place of Registration	Class	Registration Number
“REGENT”	Hong Kong	11	10491 of 1997
“REGENT”	PRC	11	509905

As at the Latest Practicable Date, the Group has applied for registration of the following trademark:

Trademark	Place of Registration	Class	Application Number
 濶多利國際控股有限公司 Warderly International Holdings Limited	Hong Kong	11	2002 14892

Note: The goods covered by class 11 are: Fans, fan heaters, convector heaters, oil-filled radiators, toast ovens, coffee makers, toasters, hair dryers.

(ii) Patents

Tob Global as licensee entered into an exclusive licence deed with Mr. Yeung as licensor on 18th February, 2002 whereby Mr. Yeung agreed to license to the Group the use of an invention relating to an air-ventilating device having a thermal exchanger and an air filter at a licence fee of US\$1.00 and the reproduction of the design entitled “ventilator” registered in Hong Kong in the name of Mr. Yeung and with registration no. 0111515.7 at a licence fee of US\$1.00.

(iii) Designs

As at the Latest Practicable Date, the Group has registered the following designs:

Title of Design	Country	Number of Registration	Date of Registration	Date of Grant of Certificate
Heater	U.K.	2079705	9th December, 1998	7th April, 1999
Vacuum cleaner	U.K.	2077966	26th September, 1998	2nd February, 1999

Title of Design	Country	Number of Registration	Date of Registration	Date of grant of Certificate
Heater	U.K.	2069906	17th October, 1997	10th February, 1998
Fan	U.K.	2066729	21st June, 1997	22nd September, 1997
Fan	U.K.	2066728	21st June, 1997	22nd September, 1997
Fan	U.K.	2059368	18th September, 1996	22nd January, 1997
Vacuum cleaner	Hong Kong	9811331.1	16th October, 1998	27th November, 1998
對衡式暖風機 (Convector heater)	PRC	ZL 97 3 29542.2	7th November, 1997	13th August, 1998
對流式加熱器 (Convector heater)	PRC	ZL 98 3 05685.4	12th December, 1998	23rd July, 1999

Note: This design is jointly held by DGKL and 東莞市常平嘉利電器廠 (Dongguan Chang Ping Ka Lee Electrical Factory).

Top Global as licensee entered into an exclusive licence deed with Mr. Yeung as licensor on 18th February, 2002 whereby Mr. Yeung agreed to license to the Group (i) the use of an invention relating to an air-ventilating device having a thermal exchanger and an air filter at a licence fee of US\$1.00 and (ii) the reproduction of the design entitled “ventilator” registered in Hong Kong in the name of Mr. Yeung and with registration no. 0111515.7 at a licence fee of US\$1.00.

(iv) *Domain Names*

As at the Latest Practicable Date, the Group has registered the following domain names:

Domain Name	Date of Registration
www.houseely.com.hk	22nd June, 1998
www.houseely.com	11th May, 1999

(Note: the contents of these websites do not form part of this prospectus.)

Save as disclosed above, there are no other trade or service marks, patents or other intellectual or industrial property rights which are material in relation to the Group’s business.

FURTHER INFORMATION ABOUT THE DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

Interests of Directors in the share capital of the Company after the Share Offer and the Capitalisation Issue

Immediately following completion of the Share Offer and the Capitalisation Issue, the beneficial interests of the Directors in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have taken under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) once the Shares are listed, or will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in the Listing Rules are as follows:

Name of Director	Number of Shares			Approximate percentage interest
	Personal interest	Family interest	Corporate interest	
Mr. Yeung	–	–	266,250,000 <i>(note 1)</i>	71
Mr. Hung	–	–	15,000,000 <i>(note 2)</i>	4

Notes:

- (1) Mr. Yeung is the legal and beneficial owner of the entire issued share capital of Imperial Profit which in turn holds 210,000,000 Shares representing 56% of the entire issued Shares. Mr. Yeung is also the legal and beneficial owner of the entire issued share capital of Primer Capital which in turn holds 56,250,000 Shares representing 15% of the entire issued Shares. Accordingly, Mr. Yeung is effectively interested in 266,250,000 Shares.
- (2) Mr. Hung is the legal and beneficial owner of the entire issued share capital of Top Network which in turn holds 15,000,000 Shares representing 4% of the entire issued Shares.

Particulars of service agreements

- (a) Each of Mr. Yeung, Mr. Hung and Mr. Lai Wing Chuen, being all the executive Directors, has entered into a service agreement with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are set out below:
 - (i) each service agreement is of three years duration commencing from 1st May, 2002, and will continue thereafter for successive terms of the year until terminated by either party giving to the other not less than three months' advance written notice of termination;
 - (ii) the annual salary for each of Mr. Yeung, Mr. Hung and Mr. Lai Wing Chuen is HK\$1,950,000, HK\$1,560,000 and HK\$600,600 respectively. For the period from 1st May, 2004, such salary to be reviewed annually by the Board; and

- (iii) each of these executive Directors is entitled to such management bonus by reference to the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items (“Net Profits”) as the Board may approve provided that the aggregate amount of management bonuses payable to all executive Directors in respect of any financial year of the Group shall not exceed 10% of the Net Profits for the relevant financial year.
- (b) Each executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and management bonus payable to himself.
- (c) Save as disclosed herein, none of the Directors has entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Directors’ remuneration

- (a) An aggregate of approximately HK\$473,000 was paid to the Directors as remuneration for the year ended 30th April, 2002. Further information in respect of the Directors’ remuneration is set out in Appendix I to this prospectus.
- (b) An aggregate sum of approximately HK\$4,110,600 would be paid to the Directors as remuneration by the Group in respect of the year ending 30th April, 2003 pursuant to the present arrangement excluding management bonus.

2. Substantial Shareholders

Immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account Shares which may be allotted and issued upon the exercise of the Over-allotment Option), so far as the Directors are aware, the following persons or companies directly or indirectly interested in 10% or more of the voting powers at any general meeting of the Company by virtue of SDI Ordinance will be as follows:–

Name	Number of Shares	Approximate % of holding
Imperial Profit	210,000,000 (1)	56
Primer Capital	56,250,000 (2)	15
Mr. Yeung	266,250,000	71

Notes:

- (1) The Shares are registered in the name of Imperial Profit, the entire issued share capital of which is legally and beneficially owned by Mr. Yeung. Under the SDI Ordinance, Mr. Yeung is deemed to be interested in all the Shares registered in the name of Imperial Profit.
- (2) The Shares are registered in the name of Primer Capital, the entire issued share capital of which is legally and beneficially owned by Mr. Yeung. Under the SDI Ordinance, Mr. Yeung is deemed to be interested in all the Shares registered in the name of Primer Capital.

3. Agency fees or commissions received

The Underwriters will receive an underwriting commission of 2.5% of the Offer Price per Offer Share in respect of the Share Offer, out of which they will pay any sub-underwriting commissions. In addition, CSC Asia and Access Capital will receive a fee for acting as the sponsor

and the co-sponsor respectively to the Share Offer. Such fee and commission, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Share Offer, which are estimated to amount in aggregate to approximately HK\$10.4 million, and are payable by the Company and the Vendor in the same proportion to which the number of the New Shares bears to the number of the Sale Shares.

4. Related party transactions

The Group had entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in the accountants' report set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of the Company has any interest in the equity or debt securities of the Company or any of its associated corporation (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which he will take or be deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) once the Shares are listed, or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein once the Shares are listed, or, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed;
- (b) none of the Directors or experts referred to in the subparagraph headed "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors or experts referred to in the subparagraph headed "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) taking no account of any Shares which may be taken up under the Share Offer, the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (e) none of the experts referred to in the subparagraph headed "Consents of experts" in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreement.

SHARE OPTION SCHEME**1. Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the shareholders of the Company on 26th November, 2002.

For the purpose of this section, unless the context otherwise requires:

“Board”	means the board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means any full-time or part-time employee of the Group, including any executive, non-executive, and independent non-executive Directors, advisors, consultants of the Group;
“Listing Agreement”	means an agreement entered into between the Company and the Stock Exchange setting out the continuing obligations which the Company undertakes to comply with as a condition of listing;
“Offer Date”	means the date on which an Option is offered to an Eligible Person in accordance with the rules of the Share Option Scheme;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by the Board to each Participant;
“Other Schemes”	means any other share option schemes adopted by the Group from time to time, pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of the Company from time to time;
“Subscription Price”	means the price per Share at which a Participant may subscribe for Shares on the exercise of an Option calculated in accordance with the rules of the Share Option Scheme; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

(a) *Purpose of the Share Option Scheme*

The Share Option Scheme enables the Company to grant Options to Eligible Persons as incentives or rewards for their contributions to the Group.

(b) *Who may join*

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of the option, the Eligible Person shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the Offer Date.

(c) *Grant of option*

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with paragraph 12 of the Listing Agreement) for the approval of the Company's interim or annual results; and (ii) the deadline for the Company to publish its interim or annual results announcements under the Listing Agreement, and ending on the date of the results announcement, no Option may be granted.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his or her associates abstaining from voting, the Company may make a further grant of Options to such Participant (the "Further Grant") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time.

In relation to the Further Grant, the Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of the Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of the Board for proposing the Further Grant should be taken as the Offer Date for the purpose of calculating the relevant Subscription Price.

(d) *Price of Shares*

The Subscription Price shall be determined by the Board and notified to the Participant (subject to any adjustment made pursuant to rules of the Share Option Scheme relating to the changes in capital structure of the Company) and shall be the highest of (i) the closing

price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed on the Main Board for less than 5 Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before such listing.

(e) *Maximum number of Shares*

- (i) The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "Scheme Mandate Limit") provided that options lapsed in accordance with the terms of the Share Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 375,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 37,500,000 Shares.
- (ii) Subject to the approval of the Shareholders in general meeting, the Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Approval for the listing of and permission to deal in any Shares to be issued upon the exercise of the Option granted under the refreshed 10% limit of the Share Option Scheme is required to be obtained from the Stock Exchange. In relation to the Shareholders' approval referred to in this sub-paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the Listing Rules.
- (iii) Subject to the approval of the Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this sub-paragraph (iii), the Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.
- (iv) Notwithstanding the foregoing, the Company should not grant any Option if the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceed 30% of the Shares in issue from time to time.

(f) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The Share Option Scheme does not require a minimum period for which an Option must be held or a performance target which must be achieved before an Option can be exercised. The Board shall be entitled at its absolute discretion to decide the option period subject to the time of the Share Option Scheme.

(g) *Rights are personal to grantee*

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle the Company to cancel any Option or party thereof granted to such Participant (to the extent not already exercised) without incurring any liability on the part of the Company.

(h) *Rights on death*

If a Participant dies before exercising any of the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) *Changes in capital structure*

If there is any alteration in the capital structure of the Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:

- (i) the number of Shares (without fractional entitlements) subject to the Option(s) so far as unexercised; and/or
- (ii) the Subscription Price.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Option and/or the Subscription Price shall be conditional on the auditors of the Company or the independent financial adviser appointed by the Company confirming in writing to the Board that the alteration is made on the basis that the proportion of the issued share capital of the Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased. The capacity of the auditors or the independent financial adviser appointed by the Company is that of experts and not of arbitrators and their certification shall be final and binding on the Company

and the Participants in the absence of manifest error. The costs of the auditors or the independent financial adviser appointed by the Company in so certifying shall be borne by the Company.

(j) *Rights on take-over*

If a general offer has been made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any party acting in concert with the offeror) to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option to its full extent or to the extent specified in his or her notice for such exercise within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Code on Takeovers and Mergers of Hong Kong as amended from time to time.

(k) *Rights on a compromise or arrangement*

- (i) Subject to paragraph (l), if an application is made to the court (otherwise than where the Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its Shareholders (or any class of them), a Participant may by notice in writing to the Company, within the period of 21 days after the date of such application, exercise his or her outstanding Options to its full extent or to the extent specified in such notice. Upon the compromise or arrangement being sanctioned by the court and becoming effective, all outstanding Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by the Company to all Participants as soon as practicable.
- (ii) Subject to paragraph (l), in the event that a notice is being given by the Company to its Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind-up the Company when the Company is solvent, the Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his or her outstanding Options at any time no later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

(l) *Lapse of option*

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the relevant Option Period in respect of the Option having expired;

- (ii) the first anniversary of the death of the Participant;
 - (iii) in the event that the Participant was an employee or director of any member of the Group at the relevant Offer Date, the date on which such member of the Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the Board or the board of directors of the relevant member of the Group to effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
 - (iv) in the event that the Participant was an employee or director of any member of the Group at the relevant Offer Date the expiry of a period of three months from the date of the Participant ceasing to be an an employee or director of such member of the Group by reason of:
 - (1) his or her retirement on or after attaining normal retirement age or, with the consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;
 - (2) ill health or disability recognised as such expressly by the Board in writing for the purpose of this sub-paragraph;
 - (3) the company by which he or she is employed and/or of which he or she is a director (if not the Company) ceasing to be a subsidiary of the Company;
 - (4) expiry of his or her employment contract or variation of his or her office with such member of the Group and such contract or office is not immediately extended or renewed; or
 - (5) at the discretion of the Board, any reason other than death or the reasons described in this sub-paragraph (iii) or (iv)(1) to (4).
 - (v) the expiry of any period referred to in paragraph (k) above, provided that (in the case of sub-paragraph (k)(i)), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and
 - (vi) the date the Participant commits any breach of the provisions of paragraph (g).
- (m) *Ranking of Shares*

Shares allotted and issued upon the exercise of an Option will be subject to the Company's articles of association as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issued and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any

dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(n) Cancellation of options granted

Any cancellation of Options granted but not exercised must be approved by Shareholders in general meeting, with Participants and their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll. Cancelled Options may be re-issued after such cancellation has been approved, provided that such re-issued Options shall only be granted in compliance with the terms of the Share Option Scheme.

Notwithstanding the above, new Options may be granted to the Option holder in substitution of his or her cancelled Options subject to the availability of the unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional after which period no further Options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with the terms of issue.

(p) Alteration to and Termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board, except that the provisions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the Participants or the prospective Participants without the prior approval of the Shareholders in general meeting (with the Eligible Persons, the Participants and their associates abstaining from voting).

Any alterations to the terms and conditions of Share Option Scheme, which are of a material nature or any change to the terms of the Options must first be approved by the Shareholders, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

The Company by ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the first new scheme to be established after such termination.

(q) *Granting of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates*

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial shareholder or an independent non-executive Director or their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and Other Schemes in any 12-month period up to and including the date of the grant exceeding 0.1% of the Shares in issue from time to time and having an aggregate value, based on the closing price of the Shares at the Offer Date, in excess of HK\$5 million, then the proposed grant of Options must be subject to Shareholders' approval taken on a poll. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under Rules 17.03 of the Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in the terms of the Options granted to an Eligible Person who is a substantial shareholder of the Company, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Subscription Price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to the independent shareholders of the Company, as to voting; and
- (iii) all other information as required by the Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive.

(r) *Conditions of Share Option Scheme*

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by the Shareholders in general meeting and; (ii) the Listing Committee of the Stock Exchange approving the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

As at the Latest Practicable Date, no Options have been granted or agreed to be granted by the Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the listing of and permission to deal in 10% of the Shares in issue as at the Listing Date which may fall to be issued pursuant to the exercise of options granted under Share Option Scheme. On the basis of 375,000,000 Shares in issue on the Listing Date (and taking no account of any Shares which may be allotted pursuant to the Over-allotment Option), 10% of the Shares will be equivalent to 37,500,000 Shares.

OTHER INFORMATION

1. Estate duty and tax indemnity

Imperial Profit, Primer Capital and Mr. Yeung (the “Indemnifiers”) have, under the deed of indemnity referred to in the paragraph headed “Summary of material contracts” under the section headed “Further Information about the Business” in this Appendix (the “Deed of Indemnity”), jointly and severally given indemnities in favour of the Group in connection with, among others (a) any liability for Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Share Offer becomes unconditional; and (b) any taxation (including tax penalty, if any) which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional.

In addition, each of the Indemnifiers acknowledges, represents and warrants in the Deed of Indemnity that the Group has entered into a land grant contract (the “Land Grant Contract”) with the Dongguan Changping Town Shahukou Economic United Association (the “United Association”) on 23rd April, 1998 for the use of a piece of collectively-owned land situated at Shahukou Village, Changping Town, Dongguan City, Guangdong Province, the PRC (the “Undeveloped Land”). The procedures for conversion of the Undeveloped Land to state-owned land have not been completed. The Group has already paid a land use fee of RMB524,400 to the United Association for the rights to use the Undeveloped Land. Under the Land Grant Contract, the Group is also required to pay an annual land administration fee to the United Association for the Undeveloped Land and as at 31st October, 2002, has already paid the annual land administration fee in a total sum of RMB22,080. To obtain the legal title to the land use rights to the Undeveloped Land, the Group is required under the PRC laws to enter into a state-owned land grant contract with, pay a land grant fee and other charges pursuant to the land grant contract to, and obtain the state-owned land use right certificate from, the competent land administration authority in the PRC after the Undeveloped Land has been requisitioned and converted to state-owned land.

Each of the Indemnifiers jointly and severally agrees and undertakes to indemnify and at all times keep each member of the Group indemnified against any losses, damages and liabilities which may be incurred or suffered by the Group if any of the representations and warranties set out in the deed of indemnity is not true and accurate, or if, for whatever reasons, the Group cannot obtain the state-owned land use right certificate of the Undeveloped Land. Such losses, damages and liabilities will include, without limitation, the repayment to the Group of the said sum of RMB524,400 and the annual land administration fee that has already been paid to the United Association in Hong Kong dollars calculated at the prevailing exchange rate quoted by the People's Bank of China together with interest thereon calculated at 2% over the prime lending rate for Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited from the respective dates on which the land use fee and the annual land administration fee were paid to the United Association to the actual date of repayment of the same to the Group.

The Indemnifiers will however, not be liable under the Deed of Indemnity for any claim of taxation where (a) provision has been made for such taxation in the audited combined accounts of the Company or the audited accounts of any member of the Group for the three years ended 30th April, 2002 (the "Accounts"); (b) the taxation arises or is incurred as a result of a retrospective change in law and/or a retrospective increase of tax rates coming into force after the date on which the Share Offer becomes unconditional; (c) any penalty imposed on any member of the Group under section 42 of the Estate Duty Ordinance by reason of the relevant company defaulting in any obligation to give information to the Commissioner of the Inland Revenue under section 42(1) of the Estate Duty Ordinance after the date on which the Placing becomes unconditional; (d) such claim for taxation or liability would not have arisen but for any act or omission, or transaction entered into by, the Indemnifiers, or any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the course of normal day to day trading operations on or before the date on which the Share Offer becomes unconditional; and (e) provision or reserve made for such taxation in the accounts is established to be an over-provision or an excessive reserve.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands or the BVI, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

2. Litigation

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

3. Address for service of process and notices

Mr. Yeung and Mr. Hung have been nominated as the authorised persons to accept service of process and notices of the Company. The address for service of process and notices is Unit 1901, 19th Floor, Hong Kong Worsted Mills Industries Building, Nos. 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong.

4. Sponsors

CSC Asia and Access Capital have made an application on behalf of the Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares falling to be issued pursuant to the exercise of Over-allotment Option and pursuant to the exercise of options granted under the Share Option Scheme.

5. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$2,500 (equivalent to approximately \$19,500) and are payable by the Company.

6. Promoter

The promoter of the Company is Mr. Yeung Kui Wong. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the promoter in connection with the Share Offer and the related transactions described in this prospectus.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
CSC Asia	Registered investment adviser
Access Capital	Registered investment adviser and securities dealer
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuers
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
Guangxin Lawyers	Licensed legal adviser on PRC securities law

8. Consents of experts

Each of CSC Asia, Access Capital, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Conyers Dill & Pearman, Cayman, and Guangxin Lawyers has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

9. Particulars of the Vendor

The particulars of the Vendor of the Sale Shares are as follows:

Name	Description	Date of Address	Number of Incorporation	Sale Shares
Primer Capital (Note)	Corporation	P. O. Box 957 Offshore Incorporations Centre Road Town, Tortola, British Virgin Islands	8th March, 2002	31,125,000

Note: The entire issued share capital of Primer Capital is legally and beneficially owned by Mr. Yeung.

10. Binding effect

This prospectus shall have the effect if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

11. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries;
 - (v) within the two years preceding the date of this prospectus, no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in the Company; and
 - (vi) there has been no material adverse change in the financial or trading position or prospectus of the Group since 30th April, 2002 (being the date to which the latest audited financial statements of the Group were made).
- (b) None of CSC Asia, Access Capital, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Conyers Dill & Pearman, Cayman and Guangxin Lawyers;
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group; or
 - (iii) is an officer or a servant or a partner in employment of an officer or a servant of the Group.
- (c) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.