

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

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8th October, 2002. The Company has established a place of business in Hong Kong at Room 1910–12, 19th Floor, Block B, MP Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong and was registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance on 21st March, 2003. Mr. Chow of 27th Floor, Block 31, Baguio Villa, 555 Victoria Road, Pokfulam, Hong Kong and Wong Ngan of 23C, 127 Hip Woo Street, Kwun Tong, Kowloon, Hong Kong have been appointed as the authorised representatives of the Company for the acceptance of service of process and notices in Hong Kong. As the Company was incorporated in the Cayman Islands, it is subject to the Companies Law and to its constitution which comprises its memorandum of association and articles of association. A summary of various parts of the constitution and relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

**2. Changes in share capital of the Company**

- (a) As at the date of incorporation of the Company, its authorised share capital was HK\$350,000 divided into 3,500,000 shares of HK\$0.10 each, of which one Share was allotted and issued fully paid at par to Codan Trust Company (Cayman) Limited, the subscriber of the Company, and was subsequently transferred to Mr. Chang on 21st October, 2002 for cash at par.
- (b) On 18th May, 2005, the authorised share capital of the Company was increased from HK\$350,000 divided into 3,500,000 Shares to HK\$100,000,000 divided into 1,000,000,000 Shares by the creation of an additional 996,500,000 Shares.
- (c) On 18th May, 2005, an aggregate of 149,999,999 Shares were issued and allotted to Polestar, at the direction of Mr. Chang and Ms. Hsieh, as consideration for the transfer of the entire issued share capital of Excellent Overseas to the Company and Mr. Chang transferred to Polestar the subscriber share in the Company. In consideration of Mr. Chang's transfer of the subscriber share and his and Ms. Hsieh's direction for the allotment and issue of 149,999,999 Shares to Polestar as aforesaid, Polestar allotted and issued 7 shares and 2 shares of US\$1 each to Mr. Chang and Ms. Hsieh respectively.
- (d) Save as aforesaid and in the following paragraphs in this section headed "Further Information about the Company and its Subsidiaries", there has been no alteration in the share capital of the Company since the date of its incorporation.
- (e) Assuming that the Share Offer becoming unconditional and the Share Offer and the Capitalisation Issue are duly completed, but taking into no account of any Shares which may be issued pursuant to the Share Option Scheme and the exercise of the Pre-

IPO Options, the authorised share capital of the Company will be HK\$100,000,000 divided into 1,000,000,000 Shares and the issued capital of the Company will be HK\$30,000,000 divided into 300,000,000 Shares, fully paid or credited as fully paid, and 700,000,000 Shares will remain unissued immediately after completion of the Share Offer and the Capitalisation Issue. Other than pursuant to the exercise of the Pre-IPO Options and options which may be granted under the Share Option Scheme, there is no present intention to issue any part of the authorised but unissued capital of the Company and without the prior approval of the members of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

### **3. Written resolutions of the sole shareholder of the Company passed on 20th May, 2005**

Pursuant to the resolutions passed by the sole shareholder of the Company on 20th May, 2005:

- (a) conditional upon (i) the Listing Committee granting listing of and permission to deal in the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may fall to be issued pursuant to the exercise of the Pre-IPO Options and options granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms or otherwise:
  - (i) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares pursuant thereto;
  - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to do all such acts and things as they may consider necessary or expedient to give effect to the Share Option Scheme;
  - (iii) 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 issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any Pre-IPO Options, options which may be granted under the Share Option Scheme or any other option scheme or similar arrangements or under the Share Offer or any scrip dividend schemes 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 or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted with an aggregate nominal amount not exceeding

20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of:

- (aa) the conclusion of the next annual general meeting of the Company;
  - (bb) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association or any applicable laws of the Cayman Islands to be held; or
  - (cc) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying such mandate;
- (iv) a general unconditional mandate (“Repurchase Mandate”) was given to the Directors authorising them to exercise all the powers of the Company to repurchase on the Stock Exchange, or any other stock exchange on which the shares of the Company may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (i.e. up to 30,000,000 Shares), such mandate to remain in effect until whichever is the earliest of:
- (aa) the conclusion of the next annual general meeting of the Company;
  - (bb) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association or any applicable laws of the Cayman Islands to be held; or
  - (cc) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying such mandate; and
- (v) the general unconditional mandate mentioned in (iii) 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 (if any) under the Repurchase Mandate;
- (b) conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise HK\$7,500,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 75,000,000 Shares for allotment and issue to Polestar.

- (c) the Company approved and adopted its existing articles of association, a summary of the provisions of which is set out in Appendix V.

#### 4. Group reorganisation

The companies comprising the Group underwent a reorganisation which involves the following:

- (a) On 18th July, 2001, Excellent Overseas was incorporated pending activation.
- (b) On 9th August, 2001, Linfair (BVI) was incorporated pending activation.
- (c) On 1st September, 2001, 1 share of US\$1.00 each in Excellent Overseas was allotted and issued to Mr. Chang at par, who held the same as to 4/5 for himself and as to 1/5 on trust for Ms. Hsieh.
- (d) On 10th September, 2001, 1 share of US\$1.00 each in Linfair (BVI) was allotted and issued to Excellent Overseas at par.
- (e) On 19th September, 2001, Linfair (Malaysia) was incorporated and 2 subscriber shares of RM1.00 each were allotted and issued to the 2 subscribers at par.
- (f) On 9th November, 2001, Linfair (Samoa) was incorporated and 1 subscriber share of US\$1.00 each was allotted and issued to the subscriber at par. This subscriber share was transferred on the same date to Excellent Overseas at par.
- (g) On 21st January, 2002, Excellent Overseas acquired from the subscribers 2 subscriber shares of RM1.00 each in Linfair (Malaysia) at par.
- (h) On 31st March, 2002, the authorised share capital of Linfair (HK) was increased from HK\$10,000 to HK\$10,000,000 by the creation of an additional 9,990,000 shares of HK\$1.00 each and 9,990,000 shares of HK\$1.00 each in Linfair (HK) were allotted and issued to Excellent Overseas at par.
- (i) On 31st March, 2002, Excellent Overseas acquired from Mr. Chang and Ms. Hsieh 8,000 and 2,000 shares of HK\$1.00 each in Linfair (HK) respectively at par.
- Note:* Mr. Chang retained 1 share of HK\$1.00 each in Linfair (HK) on trust for Excellent Overseas.
- (j) On 21st October, 2002, Mr. Chang acquired the subscriber share in the Company from the subscriber at par.
- (k) On 10th November, 2003, 99,998 shares of RM1.00 each in Linfair (Malaysia) were allotted and issued to Excellent Overseas at par.

- (l) On 12th January 2004, Linfair (Singapore) was incorporated and 2 subscriber shares of SGD 1.00 each were allotted and issued to the 2 subscribers, Mr. Chang and Ms. Pu Huiping, at par.
- (m) On 14th January 2004, Linfair (Singapore) allotted and issued 99,998 shares of SGD 1.00 each to Excellent Overseas at par. On 24th March 2004, Excellent Overseas acquired the 2 subscriber shares in Linfair (Singapore) from the subscribers at par.
- (n) On 9th September, 2004, 1,400,000 shares of RM1.00 each in Linfair (Malaysia) were allotted and issued to Excellent Overseas at par.
- (o) On 16th September, 2004, Linfair (Shenzhen) was established by Linfair (HK) with a registered capital of HK\$1,000,000.
- (p) On 25th November, 2004, Linfair (Beijing) was established by Linfair (HK) with a registered capital of HK\$1,000,000.
- (q) On 18th May, 2005, the Company acquired the entire issued share capital of Excellent Overseas from Mr. Chang and Ms. Hsieh in consideration for the allotment and issue of 149,999,999 Shares to Polestar, at the direction of Mr. Chang and Ms. Hsieh and Mr. Chang also transferred to Polestar the subscriber share in the Company. In consideration of Mr. Chang's transfer of the subscriber share and his and Ms. Hsieh's direction for the allotment and issue of 149,999,999 Shares to Polestar as aforesaid, Polestar allotted and issued 7 shares and 2 shares of US\$1 each to Mr. Chang and Ms. Hsieh respectively.

## 5. Changes in the share capital of subsidiaries

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

Within the two years immediately preceding the date of this prospectus, changes in share capital of the following subsidiaries of the Group have taken place:

- (a) On 10th November, 2003, 99,998 shares of RM1.00 each in Linfair (Malaysia) were allotted and issued to Excellent Overseas at par.
- (b) On 12th January 2004, Linfair (Singapore) was incorporated and 2 subscriber shares of SGD 1.00 each were allotted and issued to the 2 subscribers, Mr. Chang and Ms. Pu Huiping, at par.
- (c) On 14th January 2004, Linfair (Singapore) allotted and issued 99,998 shares of SGD 1.00 each to Excellent Overseas at par.
- (d) On 9th September, 2004, 1,400,000 shares of RM1.00 each in Linfair (Malaysia) were allotted and issued to Excellent Overseas at par.

- (e) On 16th September, 2004, Linfair (Shenzhen) was established by Linfair (HK) with a registered capital of HK\$1,000,000.
- (f) On 25th November, 2004, Linfair (Beijing) was established by Linfair (HK) with a registered capital of HK\$1,000,000.

Save as mentioned herein, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase by the Company of its own securities

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

### (a) *The Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange, subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders approval*

All repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

*Note:* pursuant to the written resolutions of the sole shareholder of the Company passed on 20th May, 2005, a general unconditional mandate (“Repurchase Mandate”) was given to the Directors authorising them to exercise all the powers of the Company to repurchase on the Stock Exchange, or any other stock exchange on which the shares of the Company may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the articles of association or any applicable laws of the Cayman Islands to be held or the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying such mandate.

(ii) *Sources of funds*

Repurchases must be funded out of funds legally available for such purpose in accordance with the memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Trading restrictions*

Shares to be repurchased by a company must be fully paid up. The total number of shares which a company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the Securities and Futures Commission and the Stock Exchange are shares representing up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company and warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding in issue at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. A Company is prohibited from making securities repurchases on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in public hands would fall below the relevant prescribed minimum percentage as required by the Stock Exchange, which is currently 25% in the case of the Company. A Company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange. A company shall procure that any broker appointed by it to effect the purchase of securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request.

(iv) *Status of repurchased shares*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the certificates of those securities must be cancelled and destroyed as soon as reasonably practicable. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Any securities repurchase programme shall be suspended after a price-sensitive development has occurred or has been the subject of a decision until the price-sensitive information has been made public. In particular, during the period of one month immediately preceding the earlier of:

- (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (bb) the deadline for the company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, the company may not repurchase its securities on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if the company has breached the Listing Rules.

(vi) *Reporting Requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, the company is required in its annual report and accounts to disclose details regarding repurchases of securities made during the year, including a monthly analysis on the number of securities repurchased, the purchase price per share or the highest and lowest price paid by the company and the aggregate prices paid. The directors' report shall contain reference to the repurchases made during the year and the reasons for making such repurchases. The company shall make arrangements with its broker to ensure that they provide to the company in a timely fashion the necessary information to enable the company to make the report to the Stock Exchange.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities of the company on the Stock Exchange from a connected person, that is, a director, a chief executive or a substantial shareholder of the company or any of its subsidiaries or their respective associates. A connected person shall not knowingly sell his securities to the company on the Stock Exchange.



(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 300,000,000 Shares in issue immediately following the listing of the Shares could accordingly result in up to 30,000,000 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 its articles of association or any applicable law of the Cayman Islands to be held; or (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying such mandate, whichever is the earliest.

(c) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase shares of the Company on the market.

Repurchases of Shares will only be made if the Directors believe that such repurchases will benefit the Company and its shareholders. 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.

(d) *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, the Listing Rules and the applicable laws of the Cayman Islands.

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 Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(e) *General*

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

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

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, nor has undertaken not to do so, in the event the Repurchase Mandate is exercised.

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 purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or group of shareholders acting in concert (as interpreted according to the Takeovers Code), depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, the Directors are not presently aware of any consequences which will arise under the Takeovers Code as a consequence of any repurchases made pursuant to the Repurchase Mandate immediately after the listing of the Shares on the Stock Exchange.

## 7. Further information about the Company and its subsidiaries

### *Summary of material contracts*

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

- (a) Sale and purchase agreement dated 18th May, 2005 between (i) the Company as purchaser; (ii) Polestar, Mr. Chang and Ms. Hsieh, as warrantors; and (iii) Mr. Chang and Ms. Hsieh as vendors, pursuant to which the Company agreed to acquire the entire issued share capital of Excellent Overseas in consideration of the allotment and issue of 149,999,999 Shares to Polestar, as directed by Mr. Chang and Ms Hsieh;
- (b) Non-competition agreement dated 20th May, 2005 between (i) the Company; (ii) Mr. Chang; (iii) Ms. Hsieh; and (iv) Linfair (Taiwan), pursuant to which, inter alia, each of Mr. Chang, Ms. Hsieh and Linfair (Taiwan) has given certain non-competition undertakings as referred to in the section of this prospectus headed "Business — Competing Interests — Linfair (Taiwan) — Non-competition agreement";
- (c) The Underwriting Agreement;
- (d) A deed of indemnity dated 20th May, 2005 given by Mr. Chang, Ms. Hsieh and Polestar, in favour of the Group, containing, estate duty and taxation indemnities referred to in the paragraph headed "Other information — (a) Indemnities regarding estate duties and other tax liabilities" in this Appendix; and

- (e) A deed of indemnity dated 20th May, 2005 given by Mr. Chang, Ms. Hsieh and Polestar, in favour of the Group, containing indemnities regarding certain property interests of the Group referred to in the paragraph headed “Other information — (b) indemnities regarding property interests” in this Appendix.

### *Intellectual property rights of the Group*

#### *Domain names*

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

<b>Domain Name</b>	<b>Expiration Date</b>
www.linfair.net	8th November, 2007

## **8. Further information about Directors, management and staff**

### *Disclosure of interests and short positions*

- (a) Immediately following completion of the Share Offer and the Capitalisation Issue, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO Ordinance (including interests and short position which he is taken or deemed to have under the SFO Ordinance) or will be required, pursuant to section 352 of the SFO Ordinance, to be entered in the register referred to therein or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed (assuming that their interests will remain unchanged after the Latest Practicable Date) will be as follows:

(i) *Long position in Shares*

<b>Name of Director</b>	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Other interests</b>	<b>Total</b>
Mr. Chang	—	—	225,000,000 <i>(note)</i>	—	225,000,000
Ms. Hsieh	—	—	—	225,000,000 <i>(note)</i>	225,000,000

*Note:* The 225,000,000 Shares referred to above are duplicated and will be held by Polestar which is beneficially owned as to 80% by Mr. Chang and as to 20% by Ms. Hsieh, and they are therefore deemed to be interested in the 225,000,000 Shares held by Polestar.

(ii) *Long position in equity derivatives*

Mr. Chow has been granted or is interested in the Pre-IPO Options as set out in the paragraph headed “Pre-IPO Share Option Scheme” in this Appendix VI.

(iii) *Long position in shares of Polestar*

<b>Name of Director</b>	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Other interests</b>	<b>Total</b>
Mr. Chang	8	—	—	—	8
Ms. Hsieh	2	—	—	—	2

- (b) So far as is known to any Director or chief executive of the Company, immediately following completion of the Share Offer and the Capitalisation Issue, and taking no account of the Shares which may be taken up pursuant to the Share Offer or which may be issued upon the exercise of the Pre-IPO Options and any options which may be granted under the Share Option Scheme, the persons (other than a Director or a chief executive of the Company) who will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO Ordinance or who are directly or indirectly, interested in 10% or more of the voting power at general meetings of the Company, will be as follows:

(i) *Long position in Shares*

<b>Name of person</b>	<b>Number of Shares</b>	<b>Nature of interests</b>	<b>Percentage of interests</b>
Polestar	225,000,000	Beneficial ownership	75%

*Note:* Polestar is beneficially owned as to 80% by Mr. Chang and as to 20% by Ms. Hsieh and they are therefore deemed to be interested in the 225,000,000 Shares held by Polestar.

***Particulars of service contracts***

Each of Mr. Chang, Ms. Hsieh and Mr. Chow has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects similar and are set out below:

- (a) The service contracts for Mr. Chang, Ms. Hsieh and Mr. Chow are for initial terms of three years, one year and two years respectively commencing on the Listing Date and will continue thereafter unless and until terminated by either party by giving three months prior written notice to the other and each of them is required to work full time for the Group.

- (b) The annual salary under each service contract is set out below which may be subject to review annually by a committee comprising 2 or more independent non-executive Directors:

<b>Name</b>	<b>Annual salary/Service fee</b>
Mr. Chang	HK\$1,000,000 – HK\$3,000,000

*Note:* The salary/service fee of Mr. Chang will be by reference to the audited consolidated net profits of the Group before taxation and extraordinary items but after minority interests (“NPBT”), as follows:

<b>NPBT</b> <i>(HK\$) (millions)</i>	<b>Annual salary/Service fee</b> <i>(HK\$) (millions)</i>
15 or below	1
Above 15 but below 25	1.3
25 or above but below 35	1.6
35 or above but below 45	1.9
45 or above but below 55	2.2
55 or above but below 65	2.4
65 or above but below 75	2.6
75 or above but below 85	2.8
85 or above	3

<b>Name</b>	<b>Annual salary/Service fee</b>
Mr. Chow	HK\$1,235,000

The Group is not required to pay Ms. Hsieh any salary or director’s fee.

- (c) Each of Mr. Chang, Ms. Hsieh and Mr. Chow may be entitled to a discretionary bonus determined, by the board of directors of the Company provided that the aggregate amount of bonuses payable to all the executive Directors for any financial year may not exceed 5% of the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items attributable to shareholders of the Company.

Each independent non-executive Director has been appointed as an independent non-executive Director for an initial term of one year commencing from the Listing Date, provided that either party may terminate such appointment at any time by giving at least one month’s notice in writing to the other. The annual directors’ remunerations for Dr. Lam Chun Kong, Mr. Lee Kin Keung and Madam Tung Pui Man are HK\$96,000, HK\$120,000 and HK\$96,000 respectively for holding offices as independent non-executive Directors.

Save as aforesaid, no Director has entered into any service contract 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) The Company's policies concerning remuneration of the Directors are:
- (i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted and contribution to the Group;
  - (ii) the executive Directors will be entitled to provident fund and medical benefits;
  - (iii) non-cash benefits may be provided to the executive Directors if approved by the Board under their remuneration package;
  - (iv) the executive Directors may be entitled to the Pre-IPO Options and share options pursuant to the Share Option Scheme.
- (b) An aggregate of approximately HK\$1 million, HK\$1.86 million and HK\$2.52 million were paid by the Group to the Directors as remuneration and benefits in kind for each of the three years ended 31st March, 2004 respectively and approximately HK\$1.64 million for the eight months ended 30th November, 2004. Further information in respect of the Directors remuneration is set out in Appendix I to this prospectus. In addition, approximately HK\$465,000 and HK\$613,000 were paid by the Group to Macron International Holdings Limited ("Macron International"), a company wholly owned by Mr. Chow as consultancy fees in respect of consultation services provided to the Group during each of the two years ended 31st March, 2003.
- (c) Approximately HK\$2.7 million were paid to the Directors as remuneration by the Group for the year ended 31st March, 2005 pursuant to the present arrangement taking into no account of any discretionary bonus which the executive Directors may be entitled to as mentioned above.
- (d) None of the Directors or any past directors of the Group has been paid any sum of money for each of the three years ended 31st March, 2004 and for the eight months ended 30th November, 2004 (i) as an inducement to join or upon joining the Group; or (ii) as compensation for loss of office as a director of the Group or of any other office in connection with the management of the affairs of the Group.
- (e) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31st March, 2004 and for the eight months ended 30th November, 2004.

***Personal guarantees and pledged personal assets***

Certain Directors have provided personal guarantees and pledged personal assets in favour of lenders in connection with banking facilities granted to the Group, the relevant banks conditionally have agreed, in principle, to release and replace such personal guarantees and pledged personal assets by corporate guarantee(s) and/or other securities from the Group upon the listing of the Shares on the Stock Exchange.

***Agency fees or commissions received***

The Underwriters will receive an underwriting commission, and the Joint Sponsors will in addition receive a financial advisory and documentation fee as mentioned in the paragraph headed “Commission and expenses” under the section headed “Underwriting” of this prospectus. Save as disclosed herein, none of the Directors, the promoter of the Company or those named in the paragraph headed “Consents of experts” in this Appendix has received any agency fee or commission from the Group within the 2 years ended on the date of this prospectus.

***Related party transactions***

During the three financial years preceding the date of this prospectus, the Group had engaged in the related party transactions as mentioned in the accountants’ report set out in Appendix I to this prospectus.

***Disclaimers***

Save as disclosed herein:

- (a) taking no account of any Shares which may be taken up under the Share Offer, none of the Directors or chief executive of the Company has any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO Ordinance) which, once the Shares are listed, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO Ordinance (including interests and short position which he is taken or deemed to have under the SFO Ordinance) or which will be required pursuant to section 352 of the SFO Ordinance, to be entered in the register referred to therein or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange;
- (b) taking no account of any Shares which may be taken up under the Share Offer, so far as is known to the Directors, there is no person (not being a Director or chief executive of the Company) who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the

Company under the provisions of Divisions 2 and 3 of part XV of the SFO Ordinance or who is directly or indirectly interested 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 the Company or any of its subsidiaries immediately following completion of the Share Offer and the Capitalisation Issue;

- (c) there are no existing or proposed service contracts (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)) between the Company or any of its subsidiaries and any of the Directors;
- (d) none of the Directors or any persons referred to in the paragraph headed “Consents of experts” in this Appendix VI has any direct or indirect interest in the promotion of the Company, or in any assets which have been within the two years immediately preceding the date of this prospectus acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be so acquired, disposed of or leased to any member of the Group;
- (e) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” in this Appendix VI 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;
- (f) none of the persons referred to in the paragraph headed “Consents of experts” in this Appendix VI has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group or is an officer or servant or a partner of or an employee of or officer or servant of any member of the Group; and
- (g) so far as is known to the Directors, none of the Directors, their respective associates or shareholders of the Company who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers of the Group or the five largest suppliers of the Group.



## 9. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved pursuant to the resolutions passed by the sole shareholder of the Company on 20th May, 2005 (“Adoption Date”). The purpose of the Share Option Scheme is to provide incentives or rewards to Participants (as defined below) thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity (as defined below).

### (i) *Who may join*

The Board shall be entitled at any time within the period of ten years after the Adoption Date at its absolute discretion, to invite any person belonging to any of the following classes of participants (“Participants”) to take up options to subscribe for Shares:

- (1) any employee (whether full time or part time) of the Group or any entity (“Invested Entity”) in which the Group holds any equity interest, including any executive director of the Group or any Invested Entity (“Employee”);
- (2) any non-executive director (including independent non-executive directors) of the Group or any Invested Entity;
- (3) any supplier of goods or services to any member of the Group or any Invested Entity;
- (4) any customer of the Group or any Invested Entity; and
- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity;

and for the purposes of the Share Option Scheme, options may be granted to any company wholly owned by one or more Participants or any discretionary object of a Participant which is a discretionary trust. The basis of eligibility of any of the Participants to the grant of any options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity.

### (ii) *Price of Shares*

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board and notified to each grantee but in any case shall not be less than the higher of (1) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date on which the Board approves the making of the offer for the grant of option (“Date of grant”), which must be a trading day; (2) 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 date of grant; or (3) the nominal value of a Share. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

(iii) ***Grant of option***

No offer of options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period of one month immediately preceding the earlier of:

- (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results of any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for the company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the announcement of the results, no option should be granted. No option shall be granted to a Director during the periods or times in which the Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules.

(iv) ***Maximum number of shares***

- (1) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30,000,000 Shares, being 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (the "Scheme Mandate Limit") unless the Company seeks the approval from its shareholders pursuant to (2) below for refreshing the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- (2) The Company may seek approval of its shareholders in general meetings for refreshing the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company as "refreshed" shall not exceed 10% of the total number of Shares in issue as at the date of the approval of the shareholders of the Company on the refreshment of the Scheme Mandate Limit provided that options previously granted under the Share Option Scheme and any

other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes of the Company or exercised) will not be counted for the purpose of calculating the limit as “refreshed”. In seeking the approval, the Company shall send a circular to its shareholders.

- (3) The Company may seek separate shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the grantee(s) of such options must be specified by the Board before such approval is sought. In seeking such approval, a circular must be sent to the shareholders containing a generic description of the identified grantee(s), the number and terms of the options to be granted, the purpose of granting options to the identified grantee(s), and an explanation as to how the terms of these options serve such purpose.

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates abstaining from voting. A circular must be sent to the shareholders of the Company disclosing the identity of the proposed grantee, the number and terms of the options granted and to be granted. The number and terms of options to be granted to such proposed grantee must be fixed before the shareholders approval and the date of meeting of the Board for proposing such further grant should be taken as the date of offer for the purpose of calculating the subscription price.

(v) ***Requirements on granting options to connected persons***

- (1) Any grant of option to a connected person (as defined in the Listing Rules) or his associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee of the option) and shall comply with the requirements of Rule 17.04 of the Listing Rules.
- (2) Where a grant of option to a substantial shareholder of the Company (as defined in the Listing Rules) or an independent non-executive director of the Company or any of their respective associates would result in the number of Shares issued and to be issued upon the exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person(s) in the twelve (12) months period up to and including the date of such grant, (I)

representing in aggregate over, 0.1% of the total number of Shares in issue; and (II) having an aggregate value in excess of HK\$5 million based on the closing price of the Shares at the date of grant, then the proposed grant of option must be subject to approval by shareholders of the Company in accordance with the requirements of the Listing Rules. The shareholders' approval as described above will also be required for any change in the terms of any options granted to a substantial shareholder of the Company (as defined in the Listing Rules) or an independent non-executive director of the Company or any of their respective associates.

(vi) ***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 as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(vii) ***Rights are personal to grantee***

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

(viii) ***Rights on ceasing employment***

In the event of the grantee ceasing to be an Employee for any reason, other than death or the termination of employment on one or more of the grounds referred to in (x) below, the grantee may exercise the option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of one month following the date of such cessation, which date shall be the last actual working day with the Group or the relevant Invested Entity whether salary is paid in lieu of notice or not or such longer period following the date of cessation as the Board may determine (provided that the retirement of director(s) of the Group or the relevant Invested Entity at annual general meeting who is/are re-elected at the same meeting shall not be regarded as ceasing employment for the purpose of this paragraph).

(ix) ***Rights on death***

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (x) below arises prior to the death), the legal personal representative(s) of the grantee shall be entitled within a period of twelve (12) months from the date of death to exercise the option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised).

(x) *Rights on dismissal*

In the event the grantee, being an Employee at the date of grant, ceases to be an Employee by reason of termination of employment on any one or more of grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group or the relevant Invested Entity, his option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceases to be an Employee.

(xi) *Effect of alterations to capital*

In the event of any alteration in the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, sub-division or reduction (other than an issue of Shares as consideration in respect of a transaction), such corresponding alterations (if any) certified by an independent financial adviser or the auditors of the Company for the time being as fair and reasonable shall be made in the number and/or nominal amount of Shares subject to the option so far as unexercised; and/or the subscription price; and/or the maximum number of Shares for which further options may be granted under the Share Option Scheme provided that no alteration shall be made so that a Share would be issued at less than its nominal value provided that in such circumstances, the subscription price shall be reduced to the nominal value and any such alteration must be made so that each grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled.

(xii) *Rights on a general offer*

In the event of a general or partial offer (whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his or her Option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his or her option at any time before the close of such offer (or any revised offer).

(xiii) *Rights on winding up*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representatives) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his options at any time not later than two (2) business days prior to the proposed general meeting of the Company (to the extent which has become exercisable and not already exercised) 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 allot the relevant Shares to the grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation.

(xiv) *Rights on a compromise or arrangement*

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his or her legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) calendar months thereafter or the date on which such compromise or arrangement is sanctioned by court be entitled to exercise the option (to the extent which has become exercisable and not already exercised), but the exercise of the option shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. The Company may thereafter require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options so as to place the grantee in the same position as nearly as possible as would have been the case had such Shares been subject to such compromise or arrangement.

(xv) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (1) the expiry of the option period;
- (2) the expiry of any of the periods referred to in (viii) or (ix) above;
- (3) the date on which the offer (or as the case may be, revised offer) referred to in (xii) above closes;

- (4) subject to (xiii) above, the date of the commencement of the winding-up of the Company;
- (5) the date on which the grantee ceases to be an Employee by reason of (x) above;
- (6) subject to the proposed compromise or arrangement becoming effective, the expiry of the period referred to in (xiv) above;
- (7) the date on which the Grantee commits a breach of (vii) above; or
- (8) the date on which the Board shall at its absolute discretion determine that the grantee or his or her associate (other than an Employee) has committed any breach of contract entered into between the grantee or his or her associate and any member of the Group or any Invested Entity or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally.

(xvi) ***Ranking of shares***

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company and the Companies Law for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue and accordingly will entitle the holders to participate in all dividends or other distributions to be paid or made on or after the date when the name of the grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of the Company.

Unless the context otherwise requires, references to “Shares” in this section headed “Share Option Scheme” include shares in the Company of any other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(xvii) ***Period of Share Option Scheme***

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the options granted prior to the termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the Adoption Date, 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. Options granted during the duration of the Share Option Scheme may continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the Share Option Scheme.

(xviii) ***Alteration to Share Option Scheme***

The Share Option Scheme may be altered in any respect to the extent allowed by the Listing Rules by resolution of the Board except that the following alteration must be approved by a resolution of the Shareholders in general meeting: (1) any changes to the definitions of “participant”, “grantee” and “option period”; (2) any changes to the terms to the advantage of grantees; (3) any alteration to the terms and conditions of the Share Option Scheme which are of a material nature; (4) any change to the terms of options granted; and (5) any change to the authority of the Board in relation to any alteration to the terms of this Scheme, except where such alterations take effect automatically under the existing terms of the Scheme, provided that the amended terms of the Scheme or the Options shall comply with the requirements of Chapter 17 of the Listing Rules; and no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under the Share Option Scheme.

(xix) ***Cancellation of options granted***

Any cancellation of options granted but not exercised shall require approval of the Board. Any options cancelled in the manner provided herein cannot be re-granted to the same grantee.

(xx) ***Performance target***

There is no performance target that must be achieved before the options can be exercised except otherwise imposed by the Board.

(xxi) ***Conditions of Share Option Scheme***

The Share Option Scheme is conditional upon (1) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares as mentioned herein, and any Shares to be issued pursuant to the exercise of options under the Share Option Scheme; (2) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of such agreement or otherwise; and (3) the commencement of trading of the Shares on the Stock Exchange.

*Present status of the Share Option Scheme*

As at the date of this prospectus, no option has been granted or agreed to be granted.



Application has been made to the Listing Committee for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options under the Share Option Scheme.

## 10. Pre-IPO Share Option Scheme

The Company approved and adopted the Pre-IPO Share Option Scheme on 30th March, 2005 (as amended on 20th May, 2005) and granted the Pre-IPO Options to a Director and certain employees. The purpose of granting the Pre-IPO Options is to provide incentives or rewards to employees and the executive directors of the Group for their contribution to the Group.

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme except that:

- (a) the Pre-IPO Share Option Scheme is not subject to any condition precedent and the exercise period shall commence from the day falling 6 months after the Listing Date and end on 30th March, 2010 (both days inclusive);
- (b) the exercise price is HK\$0.65 per Share;
- (c) the maximum number of Shares which may be issued upon the exercise of all the Pre-IPO Options shall be 15,000,000 Shares;
- (d) there is no restriction on the number of Pre-IPO Options granted to any grantee or connected person;
- (e) no further options will be granted under the Pre-IPO Share Option Scheme after the day immediately prior to the day of printing of this prospectus;
- (f) the Pre-IPO Share Option Scheme does not have the early termination provisions as set out under sub-paragraphs (viii), (x) and (xiii) nor the provision regarding cancellation of granted option as set out under sub-paragraph (xix) of the paragraph headed “9. Share Option Scheme” above;
- (g) in the event of the death of the grantee, the legal representative(s) of the grantee shall be entitled to exercise the Pre-IPO Option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised); and
- (h) a Pre-IPO Option shall lapse automatically (to the extent not already exercised) when the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally.

Particulars of the Pre-IPO Options granted on 30th March, 2005 and outstanding as at the Latest Practicable Date are as follows:

Pre-IPO Option Holder	Position	Date of joining the Group	No. of Shares	Approximate % of the issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue	Expiration Date
<b>Executive Directors</b>					
Chow Kin Ming 27/F, Block 31 Baguio Villa 555 Victoria Road, Pokfulam Hong Kong	Chief Financial Officer	December 01	1,720,000	0.573	30th March, 2010
Sub-total:			1,720,000	0.573	
<b>Senior management of the Group</b>					
Chen How More No. 29-3 (4F), Lane 180 Kuang Fu S. Road, Taipei, Taiwan 10694	Vice President	April-02	950,000	0.317	30th March, 2010
Kao Chih Cheng No. 7 Lane 140, Sec. 3, Roosevelt Road, Taipei, Taiwan 100, Taiwan	Vice President	December-94	1,724,000	0.575	30th March, 2010
Lin Ko Wei 3rd F., No. 168 Song Ren Rd., Xinyi District, Taipei 110, Taiwan	Vice President	January-03	1,660,000	0.553	30th March, 2010
Lejon Stig Lennart Kilanaesavaegen 111, SE-434 93, Vallda, Sweden	Head of ITM Division	September-02	200,000	0.067	30th March, 2010
Lu Tsui Yun 8Fl.-11, No. 80, Sec. 1, Shioulang Road, Yunghe City, Taipei, Taiwan 234, Taiwan	Operation Manager	June-97	1,660,000	0.553	30th March, 2010
Sub-total:			6,194,000	2.065	
<b>Employees of the Group</b>					
Alnica Shum Yuk Ling Room 110, Lok Hing House, Hing Wah (2) Estate, Chai Wan, Hong Kong	Receptionist	September-02	36,000	0.012	30th March, 2010
Anurakphisai Suchittra Flat K, 9/F, Tower 3, Grand View Garden, 185 Hammer Hill Road, Diamond Hill, Kowloon, Hong Kong	Assistant	August-94	116,000	0.039	30th March, 2010
Cai Hong 12-2-202, No. 2 Yuan Cai Wei Road, Haidian Qu, Beijing, PRC	Office Administrator	June-96	170,000	0.057	30th March, 2010

<b>Pre-IPO Option Holder</b>	<b>Position</b>	<b>Date of joining the Group</b>	<b>No. of Shares</b>	<b>Approximate % of the issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue</b>	<b>Expiration Date</b>
Chan Che Ming Room 3301, Hong Shui Court, Lam Tin, Kowloon Hong Kong	Office Assistant	January-98	116,000	0.039	30th March, 2010
Chen Chien Hua No. 286, Zhongshan Road Shuimen Cun, Neipu Xiang, Pingdong County, Taiwan	Sales Executive	July-03	46,000	0.015	30th March, 2010
Chen Chun Cheng 5Fl., No. 14, Alley 9, Lane 171, Wende Road, Neihu Chiu, Taipei, Taiwan 114, Taiwan	Senior Engineer	February-03	270,000	0.090	30th March, 2010
Chen Shu Qiang Yu Yan San Village, Lian Yun Gang City, Jiang Su Province, PRC	Engineer	August-03	28,000	0.009	30th March, 2010
Cheng Chih Te 14th Fl, No. 4-2, Alley 97, Lane 110, Huqian Street, Xizhi City, Taipei Country 221, Taiwan	Manager	August-02	950,000	0.317	30th March, 2010
Cheng Mao Tsung 6Fl., No. 14, 66 Lane, Guohua Street, Hsinchu, Taiwan 300, Taiwan	Manager	February-03	230,000	0.077	30th March, 2010
Polly Fung Shui Ling Flat F, 13/F, Yee Yun Mansion, Lei King Wan, Hong Kong	Accountant	May-02	82,000	0.027	30th March, 2010
Fung Yin Har 12B, 12/F Wah Shan Mansion, Taikoo Shing, Hong Kong	Shipping Department Chief	April-98	230,000	0.077	30th March, 2010
Ho Chi Kong 7/F No. 28 Shing On Street Sai Wan Ho, Hong Kong	Engineer	August-01	170,000	0.057	30th March, 2010
Hsu Shih Kuo 7Fl., No. 16, Lane 34, Sec. 2, Shingnan Road, Junghe city, Taipei, Taiwan 235, Taiwan	Senior Engineer	September-01	270,000	0.090	30th March, 2010

Pre-IPO Option Holder	Position	Date of joining the Group	No. of Shares	Approximate % of the issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue	Expiration Date
Huang Hao 11-51-301, Tianshi Yuan, Sanhe Apartment, Jianchang Road, Hebei Zone, Tianjin, PRC Postcode: 300240	Engineer	July-02	110,000	0.037	30th March, 2010
Huang Weiming 2Fl., No. 3, Lane 92, Chiansuei St., Shulin City, Taipei, Taiwan 238, Taiwan	Project Manager	January-03	450,000	0.150	30th March, 2010
Hui Sau Mei Room 2810, Tak Wa House, Tak Keung Court, Lok Fu, Kowloon, Hong Kong	Executive Assistant	July-02	80,000	0.027	30th March, 2010
Klaus Haschke 1/F, No. 40 Bowrington Road, Wanchai, Hong Kong	Project Manager	June-03	138,000	0.046	30th March, 2010
Kuo Chin Ming 6/F, No. 122, Sec. 2, Jhongshan Road, Jhongghe City, Taipei County 235, Taiwan	Graphic Designer	February-03	34,000	0.011	30th March, 2010
Lai Hui Nung 1/F, No. 14, Kun Yang St., Nangang District Taipei City 115 Taiwan	Assistant — 交管系統部	December-02	24,000	0.008	30th March, 2010
Lee Chien Ming 9/F., No. 8, Lane 694, Jhongheng Road, Sindian City, Taipei County 231, Taiwan	Technical Consultant	November-03	70,000	0.023	30th March, 2010
Lee Chien Yuan 6Fl., No. 33, Lane 117, Minsheng Road, Danshuei Jen, Taipei, Taiwan 251, Taiwan	Senior Engineer	February-03	270,000	0.090	30th March, 2010
Lee Kao Chia No. 14, Alley 70, Lane 166, Juan-Er St, Taoyuan City, Taoyuan County 330 Taiwan	Marketing Executive — 交管系統部	September-03	34,000	0.011	30th March, 2010
Leong Fong Ham 30 Jalan 121, Taman Kepong Baru, 52100 Kuala Lumpur, Malaysia	Manager	January-02	150,000	0.050	30th March, 2010

<b>Pre-IPO Option Holder</b>	<b>Position</b>	<b>Date of joining the Group</b>	<b>No. of Shares</b>	<b>Approximate % of the issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue</b>	<b>Expiration Date</b>
Leung Po Chu Flat F, Block 5, 24/F, No. 9 Siu Sai Wan, Harmony Garden, Hong Kong	Shipping Clerk	August-02	34,000	0.011	30th March, 2010
Li Hsiang Tuan 2F, No. 1 Alley 6, Lane 121, Sec. 2, Beishin Road, Shindian City, Taipei, Taiwan 231, Taiwan	Senior Engineer	July-99	270,000	0.090	30th March, 2010
Lin Chi Hung 2Fl, No. 3, Lane 72, Wanda Road, Wanhua Chiu, Taipei, Taiwan 108, Taiwan	Engineer	February-03	100,000	0.033	30th March, 2010
Lin Zheng Ming Xihe Town, Long Quan Yi District, Chen Du City, Si Chuan, PRC	Engineer	August-03	28,000	0.009	30th March, 2010
Liu Chao Chun 6Fl., No. 3, Lane 70, Sec. 2, Shioulang Road, Junghe City, Taipei, Taiwan 235, Taiwan	Manager	September-95	450,000	0.150	30th March, 2010
Ng Yean Seng No. 1, Jalan 26/27B, Taman Desa Setapak, 53300 Kuala Lumpur, Malaysia	Engineer	June-03	28,000	0.009	30th March, 2010
Prathapan A/L NT Raghavan 9, Jalan Taban Empat, Lucky Garden Bangsar, 59000 Kuala Lumpur, Malaysia	Manager	July-03	28,000	0.009	30th March, 2010
Pu Huiping Rm1204, Blk. 1, Hai Tai Building, 259 Lane, Jiang Pu Rd, Shanghai, PRC	Process Engineer	February-99	450,000	0.150	30th March, 2010
Seiter James Duke #23, 11/F, Lane 128, Zichang Rd, Guan Do Area, Taipei, Taiwan	Project Manager	January-01	200,000	0.067	30th March, 2010
Tai Hai Kheong B-6-8 Menara Alpha Condo, Wangsa Maju Section 2, Setapak 53300 Kuala Lumpur, Malaysia	Engineer	June-03	28,000	0.009	30th March, 2010

Pre-IPO Option Holder	Position	Date of joining the Group	No. of Shares	Approximate % of the issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue	Expiration Date
Wang Shi Yong 5-B-701, Hailian Shanzhuang, Jida Estate Zhuhai City PRC	Sales Engineer	July-00	230,000	0.077	30th March, 2010
Wang Yan Chuan No. 11 Yongnianli, Riwei Road, Hebei District, Tianjin, PRC	Engineer	April-02	110,000	0.037	30th March, 2010
Wong Ngan 23C, 127 Hip Woo Street Kwun Tong, Kowloon Hong Kong	Accounting Manager	April-03	270,000	0.090	30th March, 2010
Wu Hsieh Wen 4/F No. 9, Alley 4, Lane 12, Sec. 3, Bade Road, Taipei, Taiwan 105, Taiwan	Chief Engineer	June-98	550,000	0.183	30th March, 2010
Yap Chang Keong 18, Block J61, Jalan 1/16D, R/Panjang A, Jinjang Utara, 52000 Kuala Lumpur, Malaysia	Engineer	February-02	110,000	0.037	30th March, 2010
Yau Wing Kam Rm H, 19/F, Blk 2, Newton Harbour View, 2 Shaukiwan Main Street East, Shaukiwan, Hong Kong	Account Clerk	March-03	24,000	0.008	30th March, 2010
Zhang Jian Jun No. 86 Wuyi Village Naan District Chong Qing City PRC	Engineer	August-03	28,000	0.009	30th March, 2010
Zhou Min 7-705, Fuhuaxincun, Futian District, Shenzhen PRC	Sales Engineer	July-02	74,000	0.025	30th March, 2010
Sub-total:			7,086,000	2.362	
Total:			15,000,000	5.00%	

*Note:* Mr. Chow has undertaken to the Company and the Stock Exchange not to exercise his Pre-IPO Options should any of his exercise would result in the shareholdings of the Company held by members of the public to fall below 25%.

Exercise in full of the Pre-IPO Options will result in the issue of 15,000,000 Shares by the Company, representing 5% of the issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue (but before enlargement by the issue of such Shares, or approximately 4.76% after such enlargement).

Assuming that all of the outstanding Pre-IPO Options were exercised in full on the Listing Date, the shareholding interest of the public would be increased from approximately 25% of the issued share capital of the Company as at the Listing Date prior to the allotment of Shares pursuant to the exercise of the Pre-IPO Options to approximately 28% of the issued share capital of the Company as enlarged by the allotment of Shares pursuant to the exercise of the Pre-IPO Options without taking into account any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.

The earnings per Share for the year ended 31st March, 2004 will also be diluted from approximately HK\$0.152 (calculated based on 225,000,000 Shares, being the same basis described in note 10 to the accountants' report of the Group set out in Appendix I to this prospectus) to approximately HK\$0.143, calculated based on 240,000,000 Shares after taking into the issue of 15,000,000 Shares pursuant to full exercise of the Pre-IPO Options, but without taking into account any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme.

Save for the 15 million Pre-IPO Options, the Directors confirm that no further Pre-IPO Options will be granted under the Pre-IPO Share Option Scheme. The Director who has been granted Pre-IPO Options will not exercise any Pre-IPO options if as a result of which the Company will not be able to comply with the public float requirements of the Listing Rules.

Application has been made to the Listing Committee for the approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the Pre-IPO Options.

## **11. Waivers from strict compliance with the Listing Rules and the Companies Ordinance**

The accountants' report for each of the three years ended 31st March, 2004 and the eight months ended 30th November, 2004 has been prepared and is set out in Appendix I to this prospectus. However, as this prospectus has been issued within a short period of time after 31st March, 2005, the accountants' report has not been prepared for the full year ended 31st March, 2005 as it would be unduly burdensome for the Company to do so and impossible for the audited results for the year ended 31st March, 2005 to be finalised within a short period of time.

In these circumstances, an application was made to the SFC for a certificate of exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full year ended 31st March, 2005 in this prospectus on the ground that it would be unduly burdensome for the Company to do so and such certificate of exemption has been granted by the SFC under section 342A(1) of the Companies Ordinance.

An application has also been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange.

The Directors have confirmed that they have performed sufficient due diligence on the Group to ensure that up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group since 30th November, 2004, and there is no event which would materially affect the information shown in the accountants' report as set out in Appendix I to this prospectus.

## 12. Other information

### (a) *Indemnities regarding estate duties and other tax liabilities*

Each of the Controlling Shareholders has, pursuant to a deed of indemnity, jointly and severally given indemnities in favour of the Group in connection with, inter alia, any liability for Hong Kong estate duty which might be payable by any member of the Group by reason of transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of the Group on or before the Share Offer becoming unconditional.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on the Group.

Under the deed of indemnity, each of the Controlling Shareholders has also given indemnities to the Group on a joint and several basis in relation to taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received up to the date that the Share Offer becomes unconditional save for:

- (i) taxation to the extent that provision has been made for such taxation in the audited accounts of the Group for the three years ended 31st March, 2004 and the eight months ended 30th November, 2004;
- (ii) taxation which would not have arisen but for some act or omission of any member of the Group effected without the prior written consent or agreement of the Controlling Shareholders other than in the ordinary course of business after the date on which the Share Offer becomes unconditional;
- (iii) taxation for which any members of the Group is primarily liable as a result of transactions in the ordinary course of business after 30th November, 2004 other than additional taxation to be chargeable to the Group in respect of claimed offshore profits for the years of assessment from 2000/2001 to 2003/2004 as a result of the re-visit of the tax position of the Group subsequent to the review of



the tax refund claim in respect of the year of assessment of 1999/2000 regarding the Group's offshore sourced profits by the Inland Revenue Department of Hong Kong; or

- (iv) liability for taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the date on which the Share Offer becomes unconditional or to the extent that such liability for taxation arises or is increased by an increase in rates of taxation after the date on which the Share Offer becomes unconditional with retrospective effect.

(b) *indemnities regarding property interests.*

Each of the Controlling Shareholders has, pursuant to a deed of indemnity, jointly and severally given indemnities in favour of the Group against all claims, demands, actions, losses, costs and expenses, etc. sustained by the Group directly or indirectly in consequence of the following issues:

- (i) the errors appeared in the title deeds and documents in respect of the Group's owned property in Hong Kong (as described in the valuation certificate of property no. 1 in the property valuation report contained in Appendix IV to this prospectus);
- (ii) failure of the landlord of the Group's rented property in Beijing City, the PRC in obtaining the Real Estate Ownership Certificate in respect of the said property and the tenancy agreement in respect thereof has not been registered with the appropriate government authorities in the PRC; and
- (iii) the tenancy agreement in respect of the Group's rented property in Shenzhen, the PRC has not been registered with the appropriate government authorities in the PRC.

*Litigation*

Neither the Company nor any of its subsidiaries 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 the Company or any of its subsidiaries.

*Joint Sponsors*

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee for the granting of approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares to be issued pursuant to the exercise of the Options and options which may be granted under the Share Option Scheme.

*Preliminary expenses*

The preliminary expenses of the Company are estimated to be approximately US\$2,300 (equivalent to approximately HK\$17,940) and are payable by the Company.

Mr. Chang is the promoter of the Company. 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 any promoter in connection with the Share Offer and the related transactions described in this prospectus.

*Qualifications of experts*

The qualifications of the experts who have given their opinions or advice which is contained in this prospectus are as follows:

<b>Name</b>	<b>Qualifications</b>
Somerley Limited	A licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
TIS Securities (HK) Limited	A licensed corporation for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Preston Gates & Ellis	Solicitors
King & Wood	PRC Lawyers
Chong-Ho Law Office	Taiwan Lawyers
C.K. Tan & Co.	Advocates & Solicitors, Malaysia
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
BMI Appraisals Limited	Chartered Surveyors

*Consents of experts*

Each of Somerley, TIS, Deloitte Touche Tohmatsu, Preston Gates & Ellis, King & Wood, Chong-Ho Law Office, C.K. Tan & Co., Conyers Dill & Pearman and BMI Appraisals Limited 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 opinion and summaries of opinion (as the case may be) and/or the references to its name in the form and context in which they are respectively included.

*Binding effect*

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

*Miscellaneous*

- (a) Saved 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 or is proposed 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 commission has been paid or payable (except the commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any shares in the Company or any of its subsidiaries; and
  - (v) 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 share or loan capital of the Company or any of its subsidiaries.
- (b) The Directors have confirmed that (i) there has been no material adverse change in the financial or trading position or prospects of the Group since 30th November, 2004 (being the date to which the latest audited combined financial statements of the Group were made up); and (ii) there has not been any interruption in the business of the Group which may have or have had a material adverse effect on the financial position of the Group in the twelve months preceding the date of this prospectus.

- (c) Save as disclosed herein, none of the Joint Sponsors, Deloitte Touche Tohmatsu, Preston Gates & Ellis, King & Wood, Chong-Ho Law Office, C.K. Tan & Co. Conyers Dill & Pearman and BMI Appraisals Limited:
- (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.
- (d) No securities of the Group is listed or proposed to be sought listed in any other stock exchange.