

### DIRECTORS

#### Executive Directors

Mr. CHENG Wen-Tao (鄭文濤), aged 70, is an executive Director and the founder of the Group. Mr. Cheng is responsible for the strategic planning and overall management of the Group. Mr. Cheng is also currently the General Manager of the Group. Mr. Cheng is a graduate of the School of Engineering of Osaka Prefecture University (日本大阪府立大學工學部) and holds a degree of Bachelor in Engineering. He has over 30 years of experience in the optical industry. Before the establishment of the Group in 1995, Mr. Cheng worked in Ricoh Company Ltd. and was appointed as the factory manager, vice general manager of Taiwan Ricoh Company Ltd.

Mr. TONG Ching-Hsi (董炯熙), aged 69, being a director of Ability Enterprise, is an executive Director and the founder of the Group. Mr. Tong is responsible for the strategic planning of the Group. Mr. Tong graduated from the department of mechanical engineering in the School of Science and Engineering, Waseda University, Japan (日本早稻田大學第一理工學部機械工學科). Mr. Tong established Ability Enterprise in 1965 and has accumulated more than twenty years experience in the manufacture and management. Ability Enterprise was listed on the Taiwan Stock Exchange in 1995 and Mr. Tong is currently the chairman of Ability Investment Co., Ltd. in Taiwan (能率投資股份有限公司) and a director of Ability Enterprise. In addition, Mr. Tong was a director of 大勤化纖公司 (Ta Ching Chemical Fibre Company) (presently renamed as 合眾化學纖維工業股份有限公司 (Ho Chong Chemical Fibre Industrial Corp.)) (“Ta Ching”). In May 1990, the Bank of Taiwan filed claims against Ta Ching and several guarantors for compensation in relation to the default payment of certain loan facilities granted to Ta Ching. Mr. Tong was involved, among other defendants, in the above-mentioned claims because when he was a director of Ta Ching during the period from April 1975 to June 1976, he was one of the guarantors to give guarantee in favour of the Bank of Taiwan to secure the loan facility granted to Ta Ching. After Mr. Tong resigned from Ta Ching, Ta Ching failed to change this guarantor status to be reflective of the incumbent directors. Ta Ching eventually encountered some financial problems which compromised the loan facility. More than ten (10) years after Mr. Tong had resigned, he was one of the named parties in the suit brought by the Bank of Taiwan against Ta Ching. Mr. Tong is currently in negotiations with the Bank of Taiwan and is pending mutual agreement on the settlement premium in order to release the claims against him. Based on the background information in relation to the court charge against Mr. Tong, the Directors understand that it is a commercial dispute arising from the personal guarantee given by Mr. Tong, according to normal commercial practice in Taiwan, during his office in Ta Ching. Regardless of Mr. Tong’s involvement in the suit, no question has been raised as to the character and integrity of Mr. Tong. On this basis and in view of Mr. Tong’s performance of his duties in the Group since establishment, the Directors consider that Mr. Tong is able to satisfy the requirements under Rules 3.08 and 3.09 of the Listing Rules.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. LIAO Kuo-Ming (廖國銘), aged 68, is an executive Director. Mr. Liao is responsible for the management of the production facilities and the public relation of the Group. Mr. Liao joined the Group in March 2001. Mr. Liao is also currently operating APO Inc. which has been engaged in the import and export business for more than fifteen years. He was the fifth session honorary chairman of Taiwan Businessmen Association Dongguan (東莞市台商投資企業協會長安分會第五屆名譽會長) and he is also the second session vice president of Dongguan City Chang-An Town Taiwan Businessmen Association (東莞市長安鎮台商聯誼會第二屆副會長) and the first session vice-president, second session secretary general of Foreign Businessmen Association, Xiaobian, Dongguan, PRC (東莞市長安外商投資企業協會霄邊分會第一屆副會長及第二屆常務理事).

The Group adopts the “professional manager system” under which, the daily operation and plan implementations of the Group are carried out by the managers of each relevant business department. The Board, on the other hand, is mainly in charge of strategic planning and overall management of the Group. Therefore, the retirement of the executive Directors will not result in any adverse effect on the daily operation of the Group.

For the time being, the executive Directors do not have concrete succession plans.

### **Non-executive Directors**

Mr. LAI I-Jen (賴以仁), aged 57, is a non-executive Director. Mr. Lai has about 25 years of experience in the manufacture and sale of optical components and optical equipments. He is currently chairman and chief of sales and marketing division of Asia Optical, a company listed on the Taiwan Stock Exchange. He joined the Group in December 2005.

Ms. WU Shu-Ping (吳淑品), aged 42, is a non-executive Director. She is currently a director, the chief financial officer and spokesperson of Asia Optical where she has worked for the past 23 years. Ms. Wu is experienced in the operations of the capital market and capital allocation and management of multinational enterprises in the manufacture industry. She joined the Group in December 2005.

### **Independent non-executive Directors**

Mr. CHIANG Hsiang-Tsai (江向才), aged 35, was appointed as an independent non-executive Director in December 2005. Mr. Chiang holds a degree of master of accountancy and financial information systems from Cleveland State University in the US and a doctoral degree in business administration with specialisation in accounting and information technology management from Nova Southeastern University in the US. Mr. Chiang had previously worked

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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in the accounting office and the college of business in Feng Chia University. Mr. Chiang has published a number of research papers in periodicals and produced a number of writings. Mr. Chiang is currently a full-time associate professor (專任助理教授) with the department of accounting in Feng Chia University in Taiwan, a part-time associate professor (兼任助理教授) with the department of accounting in Soochow University in Taiwan. Mr. Chiang had worked for the accounting department of Formosa Chemicals & Fibre Corporation (台灣化學纖維股份有限公司) as a cost accountant during the period from May 1995 to July 1996. Formosa Chemicals & Fibre Corporation is a listed company in Taiwan. He is currently working as the vice chief (副主任) of the accounting office of Feng Chia University. He joined the Group in December 2005.

Mr. CHOU Chih-Ming (周智明), aged 47, was appointed as an independent non-executive Director in December 2005. He is a registered agent for book keeping and tax return filing and founded Chou Chih-Ming Accounting and Tax Agent Firm (周智明事務所) in 1990. He has accumulated book keeping experience of around 15 years. Mr. Chou's working experience also includes Chu Ting Enterprise Co., Ltd. (巨登企業股份有限公司) where he was a scrutineer (監察人). He had also been the sixth session secretary general of Taichung County Associate of Tax and Accounting Agent (台中縣稅務會計記帳代理業職業工會第六屆常務理事); and the second session secretary general of the National Federation of Tax and Accounting Agent Republic of China (中華民國稅務會計記帳代理業職業工會全國聯合會第二屆常務理事).

Mr. LAI Chung-Hsiung (賴重雄), aged 62, was appointed as an independent non-executive Director in December 2005. In 1978, Mr. Lai founded Fu Kuo Co., Ltd. in Taiwan (富國興業股份有限公司) which is engaged in the manufacture and wholeselling of leisure sports equipment. Mr. Lai has accumulated more than 25 years of experience in the manufacture and sale of sport devices.

### Particulars of service contracts

Each of the executive Directors has entered into a service agreement with the Company commencing from the Listing Date for an initial term of three years respectively and shall continue thereafter from year to year until terminated by either party with three months' notice in writing served on the other side. Under the service agreements, each of the executive Directors is entitled to an annual fee of HK\$120,000 (US\$15,464).

Each of the non-executive Directors is appointed for an initial term of one year commencing from their respective dates of appointment and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other side. Each of the non-executive Directors is entitled to an annual fee of HK\$120,000 (US\$15,464).

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Each of the independent non-executive Directors is appointed for an initial term of one year commencing from their respective dates of appointment and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other side. The aggregate annual fees payable to the independent non-executive Directors is HK\$300,000 (US\$38,660) per year.

### Directors' remuneration

No compensation (including fees, salaries, performance related incentive payments, contribution to retirement benefits scheme and other benefits) was paid by the Group to the Directors during each of the three financial years ended 31st December, 2004.

No remuneration was paid and granted by the Group to the Directors in respect of the financial year ended 31st December, 2004.

Under the current arrangements, the aggregate remuneration and benefits in kind which the Directors are entitled to receive for the financial year ending 31st December, 2005 is expected to be approximately HK\$178,520 (US\$23,005), excluding any discretionary bonuses which may be paid to the Directors.

Under the current arrangements, conditional upon the Listing, the annual remuneration (excluding any discretionary bonus which may be paid) payable by the Group to each of the Directors will be as follows:

Name of Director	HK\$ (Approximate)
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#### *Executive Directors*

Mr. CHENG	120,000 (US\$15,464)
Mr. TONG	120,000 (US\$15,464)
Mr. LIAO	120,000 (US\$15,464)

#### *Non-executive Directors*

Mr. LAI I-Jen	120,000 (US\$15,464)
Ms. WU Shu-Ping	120,000 (US\$15,464)

#### *Independent non-executive Directors*

Mr. CHIANG Hsiang-Tsai	100,000 (US\$12,887)
Mr. CHOU Chih-Ming	100,000 (US\$12,887)
Mr. LAI Chung-Hsiung	100,000 (US\$12,887)

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### SENIOR MANAGEMENT

Mr. FAN Yang-Hao (范揚浩), aged 50, is the department head of the metal stamping department of Dongguan Yorkey. Prior to joining the Group Mr. Fan had worked in International Kung-Li Co., Ltd. (國際共立公司), a Taiwanese company and had also worked in Avy Co., Ltd. (應華工業) a Taiwanese company which is of the same industry as the Group and has over 20 years of experience in the metal stamping industry. Mr. Fan joined the Group in July 1997.

Mr. WU Wen-Tsung (吳文宗), aged 42, is the department head of the mould technology department of Dongguan Yorkey. Mr. Wu had been working in the Group for more than 7 years and had been the manager of the mould technology department up to now. Mr. Wu joined the Group in July 1998.

Mr. CHAN Sun-Ko (詹孫科), aged 36, is the department head of the plastic injection and moulding department of Dongguan Yorkey. Mr. Chan had worked in other companies in the plastic industry and has more than 9 years of experience in this industry up to now. He joined the Group in July 1998.

Mr. HO, Tsun-Jen (何聰仁), aged 49, is the department head of the production technology department of Dongguan Yorkey. Mr. Ho received a bachelor degree of Electrical Engineering from Nan-Jeon Institute of Technology, Taiwan in 1976. Mr. Ho has over 3 years of experience in the plastic mould industry. He is responsible for overseeing the production technique and ensuring the product quality for the Group. He joined the Group in January 2006.

Mr. FAN Hung-Yi (樊弘毅), aged 54, is the manager of cases and bags department of Dongguan Yorkey. Mr. Fan had worked in Avy Co., Ltd. (應華工業) which are of the same industry as the Group before he joined the Group and has about 30 years of experience in the field of manufacturing and assembling of cases and bags. Mr. Fan is responsible to overseeing the production process, quality of products of the cases and bags department. Mr. Fan joined the Group in July 1998.

Ms. LAI Yi-Hung (賴逸虹), aged 30, is the head of sales and marketing department of Dongguan Yorkey. Ms. Lai has over 4 years of experience in computer industry. She is responsible for the administration and supervision of overall sales and marketing activities of the Group. She joined the Group in January 2006.

Mr. NG Chi Ching (吳子正), aged 35, is the Group's chief financial officer of the Group and the qualified accountant of the Company. Mr. Ng is responsible for the overall finance and accounting of the Group. Mr. Ng graduated from The Australian National University with a degree of bachelor of commerce in 1994. He has over 10 years of experience in financial

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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management and business management. Mr. Ng had worked in an international audit firm during the periods from May 1995 to March 1997 and from July 1997 to July 1999. Mr. Ng is a Certified Practising Accountant, Australia. He joined the Group in 2006.

As at the Latest Practicable Date, the Directors had not received any notice of resignation from any member of the senior management of the Group and the Directors believe that staff turnover of the senior management of the Group is relatively stable.

### **COMPANY SECRETARY**

Mr. NG Chi Ching is the company secretary of the Company. Particulars of Mr. NG Chi Ching are set out in the paragraph headed “Senior management” above in this section.

### **QUALIFIED ACCOUNTANT**

Mr. NG Chi Ching is the qualified accountant of the Company. Particulars of Mr. NG Chi Ching are set out in the paragraph headed “Senior management” above in this section.

### **WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES**

It is a requirement to have a sufficient management presence in Hong Kong pursuant to Rule 8.12 of the Listing Rules.

At present, the principal business and operations of the Group are all situated in the PRC except that the Group has a warehouse in Hong Kong for office and storage purpose. Except for the above warehouse, the Group does not maintain any other operation or business in Hong Kong. In addition, all the executive Directors are of Taiwanese nationality. Accordingly, for the purposes of the operations of the Group, it is not necessary for the Group to have a management presence in Hong Kong to oversee and/or discharge management functions for the Group’s operations in Hong Kong. Appointment of additional executive Directors who are ordinarily resident in Hong Kong to the Board would not only increase the administrative expenses of the Group, but would also reduce the responsiveness of the Board in making decisions.

However, the Directors noted the requirements under Rule 8.12 of the Listing Rules that normally, at least two executive Directors of a listing applicant must be ordinarily resident in Hong Kong. In such case, the Directors have appointed a company secretary of the Company who is and will be ordinarily resident in Hong Kong to act as the principal contact with the Stock Exchange after the Listing.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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In addition, to enhance the communication between the Stock Exchange and the authorised representatives of the Company and the executive Directors, the Company has implemented a policy that (i) each executive Director will provide their respective office, residential and mobile phone numbers and fax numbers (if applicable) to the proposed authorised representatives of the Company; (ii) in the event that an executive Director is expected to travel and be out of office, he/she will have to provide the phone number of the place of his/her accommodation to the authorised representatives of the Company and their respective alternates; (iii) all executive Directors will provide their respective office, residential and mobile phone numbers, fax numbers and e-mail addresses (if applicable) to the Stock Exchange as well; and (iv) Mr. Cheng, Mr. Tong and Mr. Liao, all being executive Directors and Mr. Ng Chi Ching, the company secretary and qualified accountant of the Company, will be readily contactable by the Stock Exchange during normal Hong Kong office hours and may easily make themselves available to meet with the Stock Exchange upon reasonable prior notice from the Stock Exchange.

An application has been made to the Stock Exchange for a waiver from strict compliance with Rule 8.12 of the Listing Rules to have a sufficient management presence in Hong Kong and waiver has been granted by the Stock Exchange.

### AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the code provisions under the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company.

The audit committee has 3 members comprising Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Lai Chung-Hsiung, all being the independent non-executive Directors. The chairman of the audit committee is Mr. Chiang Hsiang-Tsai.

### REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with the code provisions under the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

Primary duties of the remuneration committee of the Company are to review and determine the salaries and compensation package of the Directors and senior management personnel. It has 3 members comprising Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Lai Chung-Hsiung. The chairman of the remuneration committee is Mr. Chiang Hsiang-Tsai.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### COMPLIANCE ADVISER

The Company expects to enter into an agreement with the Sponsor appointing it as the compliance adviser pursuant to the requirements of Rule 3A.19 of the Listing Rules. In accordance to Rules 3A.19 of the Listing Rules, the appointment is for a term commencing on the Listing Date and ending on the date on which the Company distributes the annual report for the first full financial year commencing after the Listing Date pursuant to Rule 13.46 of the Listing Rules, unless terminated earlier in accordance with the terms thereof.

During the term of the appointment, the Sponsor shall as compliance adviser, among other things, guide and advise the Company as to compliance with the Listing Rules and all other applicable rules, codes and guidelines in discharge of its duties under Chapter 3A of the Listing Rules.

Save pursuant to the Underwriting Agreements, the Sponsor does not have any shareholding interest in the Company or any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate to subscribe for securities in any member of the Group.

### STAFF

The Group's production plant is strategically located in Dongguan Guangdong with supplies of labor/human resources coming from various provinces in the PRC. Some of the senior managers are Taiwanese. All of the employees of the Group are located in the PRC except for Mr. Ng Chi Ching, the company secretary and qualified accountant of the Company, who is resident in Hong Kong.

The following table sets out the breakdown of the employees by business areas as at the Latest Practicable Date:

Production	2,231
Administration	207
Research and development	67
Sales and marketing	12
Procurement	15
Finance	17
Quality control	54
Others	31
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Total	<u><u>2,634</u></u>

The Group has a stable workforce. During the Track Record Period, employees who left the Group were less than 5% of the total workforce for each month of the respective years.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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All employees of the Group are employed under employment contracts which specify, amongst other things, the employee's responsibilities, remuneration and grounds for termination of employment.

The Group has incurred staff costs of approximately US\$4.0 million, US\$4.7 million, US\$5.5 million and US\$3.6 million for the three years ended 31st December, 2002, 2003 and 2004 and the seven months ended 31st July, 2005 respectively, representing 9.7%, 8.3%, 8.2% and 8.1% of the Group's turnover for the relevant periods respectively.

In the PRC, the Group provides a range of welfare benefits for its employees. The Group offers dormitories and dining facilities to its employees in the PRC.

Since the inception of the Group, the Group has never experienced any material disruption to its normal business operations as a result of strikes or industrial disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff and the Directors are of the view that the Group has good relationship with its employees. As at the Latest Practicable Date, the Group is in compliance with all relevant laws, regulations and requirements in relation to child protection, labour protection, staff welfare for its employees or workers in Hong Kong and the PRC.

### TRAINING

The Group emphasizes on the training and development of its staff, and has a structured training programme for its employees. Employees are required to attend certain in-house courses and elective courses. New employees are provided with training to ensure that they are equipped with the necessary skills to perform their duties. The Group also arranges for its staff to attend speciality training courses organised by third parties.

### THE YORKEY EMPLOYEES' TRUST

To provide for incentives and reward to the Eligible Participants, the Group has, through Fortune Lands, established The Yorkey Employees' Trust, a discretionary trust established to hold the Shares owned by Fortune Lands as trustee for the benefit of the Eligible Participants pursuant to the terms and conditions of the Trust Deed. The board of directors of the Fortune Lands comprises: (1) Mr. Tawara; (2) Mr. Cheng; (3) Mr. Lai, I-Jen; and (4) Ms. Wu, Shu-Ping. Mr. Tawara, an employee of the Group, is nominated to hold the entire issued share capital of Fortune Lands.

The shares proposed to be granted to the Participants will be accounted for in accordance with Hong Kong Financial Reporting Standard 2 "Share-based payment" ("HKFRS 2") issued by HKICPA. The Group has considered but does not expect that HKFRS 2 will have a material effect on how the results of operations and financial position of the Group are prepared and presented during the Track Record Period as there were no outstanding share options during

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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the Track Record Period. However, the Directors are in progress of considering the effect of HKFRS 2 on the Group's results and financial position for the financial year ended 31st December, 2005.

On 20th January, 2006, Fortune Lands subscribed for a total of 13,125,000 new Shares at the price of HK\$38,400,000 pursuant to a subscription agreement made with the Company on the same date. Under the Capitalisation Issue, 106,875,000 new Shares will be allotted and issued to Fortune Lands. After taking into account such Shares, the effective price per Share paid by Fortune Lands for its 120,000,000 Shares will be HK\$0.32. This effective subscription price per Share represents one-third of the sum of the combined net asset value per Share and the capitalised amounts due to related companies per Share of the Company as at 31st July, 2005 and on the basis of 640,000,000 Shares were in issue before Listing and after taking into consideration that the Company would like to reward them for their past contribution to the Company and to strengthen their commitment to the future performance of the Group. The combined net asset value of the Company as at 31st July, 2005 was US\$58,802,000. In addition, among the amounts due to related companies of US\$19,372,000 as shown in the balance sheet of the Group as at 31st July, 2005, US\$19,367,000 will be capitalised. Based on a total of 640,000,000 Shares in issue prior to the Listing, the sum of combined net asset value per Share and the capitalised amounts due to related companies per Share of the Company as at 31st July, 2005 would be US\$0.12 or HK\$0.95 (i.e. (US\$58,802,000 + US\$19,367,000) x HK\$7.76/640,000,000 Shares). As such, the effective subscription price per Share is approximately HK\$0.32 per Share, representing a discount of 80.5% based on the minimum proposed Offer Price of HK\$1.63 or a discount of 88.9% based on the maximum proposed Offer Price of HK\$2.35. The subscription amount payable by Fortune Lands is calculated by multiplying 18.75% of the enlarged issued share capital of the Company by the subscription price per share. The entire subscription amount was settled in cash on 20th January, 2006 and was financed by a loan ("Loan") advanced by Mr. Cheng to Fortune Lands.

The 13,125,000 new Shares to be held by Fortune Lands represented 18.75% of the entire issued share capital of the Company as enlarged by this subscription and the subscription of 4,375,000 new Shares by Richman International which occurred contemporaneously, but will be diluted down to 15% following completion of the International Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

A summary of the principal terms of the Trust Deed setting out the terms and conditions of the Yorkey Employees' Trust is as follows:

**(a) Objectives and reasons of setting up The Yorkey Employees' Trust**

The objective of The Yorkey Employees' Trust is to award the benefit of the Shares (including all further investments, moneys and property which may hereafter be paid or transferred to or otherwise vested in Fortune Lands) held by Fortune Lands ("Trust

Fund”) to the Eligible Participants as the Fortune Lands Board may from time to time in its absolute discretion determine having regard to their contributions made or to be made to the growth and development of the Group.

The reasons for setting up The Yorkey Employee’s Trust is preferred to, for example the Share Option Scheme after consideration of the following factors:

1. As reward and incentives to the employees of the Group, it is intended that the exercise price will be at a discount to the Offer Price. Given the current Rule 17.03(9) of the Listing Rules, this objective cannot be achieved by way of granting options under the Share Option Scheme;
2. According to King & Wood, the legal adviser to the Company as to PRC laws, both the employee’s trust and share option scheme will be subject to approvals from the PRC governmental bodies should any PRC employees choose to participate. In the present PRC climate, it would be very difficult to obtain such approvals. If a pre-IPO share option scheme is opted for, the grantees and the number of underlying Shares need to be fixed before the prospectus date, and hence the International Offering timetable would be subject to any delay in obtaining such PRC government approvals. Under this trust arrangement, discretion was given to the trustee to fix the entitlements under the trust during the 10-year life of this arrangement, after taking into account the contributions of the PRC employees and, in any event, subject to the PRC legal requirements.

**(b) How The Yorkey Employees’ Trust operates**

The Yorkey Employees’ Trust shall be valid and effective for a period of 10 years from the date of the Trust Deed. It shall be administered and managed by the Fortune Lands Board. Loan for the subscription was granted by Mr. Cheng. Mr. Tawara is currently an employee of the Group. Apart from this, he is not a relative or an associate of any of the Directors and is an Independent Third Party. The Fortune Lands Board will comprise: (1) Mr. Tawara; (2) Mr. Cheng; (3) Mr. Lai, I-Jen; and (4) Ms. Wu, Shu-Ping. The Fortune Lands Board will take into consideration the person’s qualifications, skills, background and experience, service records and/or contributions or potential value to the relevant member of the Group, the Listing Rules and other relevant factors to determine whether an individual is to become a potential beneficiary under The Yorkey Employees’ Trust. The Fortune Lands Board will also take into consideration the rules of the Share Option Scheme or any other share option scheme(s) to be adopted by the Company from time to time where the potential beneficiary is a direct holder of the options under the relevant share option scheme of the Company. The Fortune Lands Board will also have the absolute discretion to add any individual from the class of potential beneficiaries, where such an individual becomes an Eligible Participant, or to remove or retain any Eligible Participants under The Yorkey Employees’ Trust.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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The Eligible Participants will be awarded with the benefit of the Trust Fund by way of point system. The maximum number of points that can be awarded under The Yorkey Employees' Trust to all Eligible Participants will be equivalent to the total number of Shares held by Fortune Lands at any time. Any income received by Fortune Lands in the form of dividends from the holding of the Shares or other securities of the Company forming part of the Trust Fund will be either accumulated and added to the capital of the Trust Fund or distributed to the Eligible Participants.

**(c) Maximum number of Shares**

Subject to the approval of the Shareholders (if required), the maximum number of points awarded or intended to be awarded to each Eligible Participant must not exceed 1% of the issued share capital of the Company in any twelve months period and must be in whole numbers. The number of points intended to be awarded to each Eligible Participant as a potential beneficiary will be set out in a schedule to be attached to the Trust Deed ("Schedule").

**(d) Distributions to beneficiaries**

At the end of each year after the Listing Date ("One Year Period"), Fortune Lands will review the class of beneficiaries and decide what portion of the Trust Fund should be "distributed" to each Eligible Participant. Fortune Lands will adopt the following principles:

- (i) If an Eligible Participant named in the Schedule (as amended from time to time) is in full-time employment with or, has made contributions to, any member of the Group during the One Year Period, Fortune Lands will assign to such Eligible Participant 20% of the number of points noted alongside his/her name in the Schedule;
- (ii) If an Eligible Participant ("Deceased") dies during the One Year Period and immediately prior to his/her death, he/she was in full-time employment with, or has made contributions to, any member of the Group, his/her widow or widower (or if an individual dies leaving no widow or widower but has a child, step-child or children under the age of 18 who survive him, such child, step-child or children) ("Dependants") will effectively step into his/her shoes and will take 20% of the points which would otherwise have been awarded to the Deceased. The Deceased's widow(er) will take priority to his/her children under the age of 18. However, the remaining points intended to be awarded to the Deceased will be cancelled and would be available for assignment to and for the benefit of other potential beneficiaries;

- (iii) If an Eligible Participant leaves the employment or terminates his/her relationship with the Group during the One Year Period by reason of illness, disability or retirement, and immediately prior to such termination, he/she has made contributions to any member of the Group, Fortune Lands will award to such Eligible Participant 20% of the number of points intended to be awarded to such Eligible Participant which are noted alongside his/her name in the Schedule. However, the remaining points intended to be awarded to such Eligible Participant will be cancelled and would be available for assignment to and for the benefit of other potential beneficiaries; and
- (iv) If an Eligible Participant who leaves the employment with the Group during the One Year Period or the relationship between such Eligible Participant and the Group terminates for any other reason, he/she will not be considered for a distribution from the Trust Fund whether or not such Eligible Participant has made any contributions to any member of the Group during the One Year Period. The points intended to be awarded to such Eligible Participant which are noted alongside his/her name will be cancelled and would be available for assignment to and for the benefit of other potential beneficiaries.

The Loan amounted to HK\$38.4 million (US\$4.9 million) and is not interest bearing. In case of disposal, the proceeds will be applied first towards repayment of the relevant portion of the loan and the related out of pocket expenses, before the payment of remainder to a Beneficiaries; and in case of the transfer of such underlying shares to the Beneficiary, the Beneficiary must repay the relevant portion of the loan and reimburse Fortune Lands for the related amount of pocket expense before the transfer.

Accordingly, under the terms of the Trust Deed, Fortune Lands, as trustee, cannot distribute any Shares held under the Employees' Trust to any Eligible Participant during the one-year period after the Listing Date. Any distribution may be made only after determination/review of the points that may be awarded to the relevant Eligible Participants in accordance with this paragraph (d) on a yearly basis, that is, at the end of each year after the Listing Date.

**(e) Sale of Shares and adjustment or cancellation of points**

At any time after the Eligible Participant or his/her Dependants ("Beneficiaries") have been awarded with points, they may, by written notice to Fortune Lands:

- (i) cause the disposal of all or a portion of the underlying Shares (the subject of those points) ("Disposal Shares") and pay the net proceeds from the sale of the Disposal Shares ("Net Proceeds") to the relevant Beneficiary (after deducting of any sum to (aa) repay the relevant portion of the Loan and (bb) pay or reimburse Fortune Lands and the Trust Fund of all fees and out-of-pocket expenses relating to the sale of the Disposal Shares); or

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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- (ii) transfer the Disposal Shares to the relevant Beneficiary (if such Beneficiary is a PRC National and such transfer is permitted under the relevant laws of the PRC or other applicable laws) provided that such Beneficiary will (aa) repay the relevant portion of the Loan before the transfer of the Disposal Shares and (bb) pay or reimburse Fortune Lands and the Trust Fund of all fees and out-of-pocket expenses relating to the transfer of the Disposal Shares.

After the disposal or transfer of the Disposal Shares and the payment of the Net Proceeds to the relevant Beneficiary, the points awarded to that Beneficiary will thereupon be cancelled and no longer available for further assignment and Fortune Lands will deduct a corresponding number of points from the relevant Beneficiary as stated in the Schedule at the time and a new schedule will then be incorporated into the Trust Deed to reflect such adjustment.

**(f) Voting rights**

Fortune Lands shall have absolute discretion to determine how and the manner of exercise of all voting rights attaching to any part of the assets of the Trust Fund.

**(g) Amendment of the terms of The Yorkey Employees' Trust**

The terms of The Yorkey Employees' Trust may at any time be amended in such manner as Fortune Lands may in its absolute discretion thinks fit, but subject to all reasonable directions from the Company to the contrary, provided that further amendments and changes would have to comply with all applicable laws and the Listing Rules.

**(h) Change of trustee**

If Fortune Lands fails to act in accordance with the terms of the Trust Deed, the Company shall be entitled to remove and/or replace Fortune Lands with other persons or entities to act as the new trustee(s) of The Yorkey Employees' Trust.

In the event the Company exercises its powers under the Trust Deed to remove and/or replace Fortune Lands, Fortune Lands shall transfer all capital, income and other assets of the Trust Fund to the new trustee(s) of a trust established to hold the Trust Fund for the Beneficiaries, the terms of the trust of which would be similar to The Yorkey Employees' Trust.

## SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme whereby a selected class of participants (as more particularly described in Appendix VI to this prospectus) may be granted options to subscribe for shares at the discretion of the Board of Directors. The principal terms of the Share Option Scheme are summarised under the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus.