

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

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19th August, 2005. The Company has established a place of business in Hong Kong at 6th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong and has been registered as an oversea company in Hong Kong under Part XI of the Companies Ordinance on 20th October, 2005. As the Company is incorporated in the Cayman Islands, it operates subject to Cayman Islands law and to its constitution which comprises a memorandum of association and articles of association. A summary of various provisions of its constitution and certain aspects of the Companies Law is set out in Appendix IV to this prospectus.

**Changes in share capital of the Company**

As at the date of incorporation of the Company, its authorised share capital was HK\$390,000 divided into 3,900,000 shares with a nominal value of HK\$0.10 each. On 19th August, 2005, one share of HK\$0.10 in the capital of the Company was allotted and issued at par, credited as fully paid to Mapcal Limited, the initial subscriber, which share was transferred to Silver Compass Holdings Corp. on 8th September, 2005.

On 8th September, 2005, 50 shares and 24 shares of HK\$0.10 each in the capital of the Company were allotted and issued at par, credited as fully paid, to Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp., respectively.

On 20th January, 2006, the authorised share capital of the Company was increased from HK\$390,000 to HK\$1,000,000,000 by the creation of an additional 9,996,100,000 Shares.

On 24th January, 2006, the Company acquired from Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp., an aggregate of 100 shares of US\$1.00 each in the share capital of Koladen Enterprises Inc., representing the entire issued share capital of Koladen Enterprises Inc. In consideration of the acquisition, an aggregate of 539,999,925 Shares, credited as fully paid, were issued and allotted by the Company on 25th January, 2006 as follows:

|                                 |                    |
|---------------------------------|--------------------|
| Silver Compass Holdings Corp.   | 367,199,949 Shares |
| Silver Hendon Enterprises Corp. | 172,799,976 Shares |

The authorised share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares. Assuming that the Share Offer becomes unconditional and the Over-allotment Option is not exercised, upon completion of the Share Offer, the issued share capital of the Company will be HK\$72,000,000 divided into 720,000,000 Shares fully paid or credited as fully paid, with 9,280,000,000 Shares remaining unissued. Other than pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the shareholders of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

### **Changes in share capital of the subsidiaries of the Company**

The Company's subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus. The following alterations in the share capital of the subsidiaries of the Company have taken place within the two years preceding the date of this prospectus:

#### ***Modern Beauty Holdings Limited***

- On 18th March, 2004, 1,000 fully paid shares of US\$1.00 each in the capital of Modern Beauty Holdings Limited were issued and allotted to Redwood Hot Limited for cash at par.

#### ***Modern Beauty Management Company Limited***

- On 19th March, 2004, Modern Beauty Management Company Limited was incorporated with 1 share of HK\$1.00 representing its entire issued share capital issued to Vigor Nominees Limited for cash at par.
- On 20th March, 2004, 999 fully paid shares of HK\$1.00 each in the capital of Modern Beauty Management Company Limited were issued and allotted to Modern Beauty Holdings Limited for cash at par.
- On 29th March, 2004, 1 subscriber share of HK\$1.00 in the capital of Modern Beauty Management Company Limited was transferred by the initial subscriber, Vigor Nominees Limited, to Modern Beauty Holdings Limited for cash at par.

#### ***Best Vantage Far East Limited***

- On 11th August, 2004, Best Vantage Far East Limited was incorporated with 1 share of HK\$1.00 representing its entire issued share capital issued to Topworld Registrations Limited for cash at par.
- On 12th October, 2004, 1 subscriber share of HK\$1.00 representing the entire issued share capital of Best Vantage Far East Limited was transferred by the initial subscriber, Topworld Registrations Limited, to Redwood Hot Limited for cash at par.
- On 29th July, 2005, 1 share of HK\$1.00 representing the entire issued share capital of Best Vantage Far East Limited was transferred by Redwood Hot Limited to Modern Beauty Management Company Limited for cash at par.

#### ***Key Ideal Investments Limited***

- On 29th July, 2005, 1 share of US\$1.00 in the capital of Key Ideal Investments Limited was transferred by Redwood Hot Limited to Modern Beauty Management Company Limited for cash at par.

*Joy East Limited*

- On 4th April, 2005, Joy East Limited was incorporated with 1 share of HK\$1.00 representing its entire issued share capital issued to BOSCO Nominees Limited for cash at par.
- On 5th May, 2005, 999 fully paid shares of HK\$1.00 each in the capital of Joy East Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 20th May, 2005, 1 subscriber share of HK\$1.00 in the capital of Joy East Limited was transferred by the initial subscriber, BOSCO Nominees Limited, to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*Wise World Limited*

- On 4th April, 2005, Wise World Limited was incorporated with 1 share of HK\$1.00 representing its entire issued share capital issued to BOSCO Nominees Limited for cash at par.
- On 5th May, 2005, 999 fully paid shares of HK\$1.00 each in the capital of Wise World Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 20th May, 2005, 1 subscriber share of HK\$1.00 in the capital of Wise World Limited was transferred by the initial subscriber, BOSCO Nominees Limited, to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*Euro Gem Beauty Products Limited (formerly known as Rich Elite Investments Limited)*

- On 22nd April, 2005, Rich Elite Investments Limited was incorporated with 1 share of HK\$1.00 representing its entire issued share capital issued to BOSCO Nominees Limited for cash at par.
- On 20th July, 2005, 1 subscriber share of HK\$1.00 in the capital of Rich Elite Investments Limited was transferred by the initial subscriber, BOSCO Nominees Limited, to Modern Beauty Management Company Limited for cash at par.

*Modern (Human Resource) Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of Modern (Human Resource) Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.

- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of Modern (Human Resource) Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of Modern (Human Resource) Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

***Modern Advertising (HK) Limited***

- On 31st March, 2004, 9,999 shares of HK\$1.00 each in the capital of Modern Advertising (HK) Limited were transferred by Mok Ka Ho to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of Modern Advertising (HK) Limited was transferred by Ms. Tsang to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

***Beauty Expert (Logistics) Limited***

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of Beauty Expert (Logistics) Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of Beauty Expert (Logistics) Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of Beauty Expert (Logistics) Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

***Beauty Expert (International) Limited (formerly known as Brain Hope International Limited)***

- On 31st March, 2004, 9,999 shares of HK\$1.00 each in the capital of Beauty Expert (International) Limited were transferred by Mok Ka Ho to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of Beauty Expert (International) Limited was transferred by Ms. Tsang to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*MWH Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of MWH Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of MWH Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MWH Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*MAD Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of MAD Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of MAD Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MAD Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*MKL Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of MKL Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of MKL Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MKL Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*MFW Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of MFW Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of MFW Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MFW Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*MIR Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of MIR Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of MIR Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MIR Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*MQQ Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of MQQ Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of MQQ Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MQQ Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*MCB Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of MCB Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 998 shares of HK\$1.00 each in the capital of MCB Limited was transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MCB Limited was transferred by Sky Art International Development Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MCB Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*MOH Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of MOH Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of MOH Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MOH Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*MEH Limited*

- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of MEH Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of MEH Limited were transferred by Modern Beauty Salon (HK) Limited to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MEH Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

***MHWC Limited (formerly known as Wealth Base Holdings Limited)***

- On 12th March, 2004, 1 share of HK\$1.00 in the capital of Wealth Base Holdings Limited (now known as MHWC Limited) was transferred by Suen Hoi Man to Beauty Expert (International) Limited for cash at par.
- On 25th March, 2004, 9,000 shares of HK\$1.00 each in the capital of Wealth Base Holdings Limited (now known as MHWC Limited) were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of MHWC Limited was transferred by Beauty Expert (International) Limited to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.
- On 31st March, 2004, 999 shares of HK\$1.00 each in the capital of MHWC Limited were transferred by Yeung Ching Yu to Modern Beauty Management Company Limited for cash at par.

***MPA Limited (formerly known as Luck Gain Trading Limited)***

- On 3rd July, 2004, 999 shares of HK\$1.00 each in the capital of Luck Gain Trading Limited (now known as MPA Limited) were transferred by Sin Ka Man, Carmen to Modern Beauty Management Company Limited for cash at par.
- On 3rd July, 2004, 1 share of HK\$1.00 in the capital of Luck Gain Trading Limited (now known as MPA Limited) was transferred by Yip Kai Wing to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

***MCP Limited (formerly known as Keen Fortune International Industrial Limited)***

- On 3rd July, 2004, 999 shares of HK\$1.00 each in the capital of Keen Fortune International Industrial Limited (now known as MCP Limited) were transferred by Chu Shu Ching to Modern Beauty Management Company Limited for cash at par.
- On 3rd July, 2004, 1 share of HK\$1.00 in the capital of Keen Fortune International Industrial Limited (now known as MCP Limited) was transferred by Chan Mei Mei to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

***Topluck International Holdings Limited***

- On 25th March, 2004, 998 shares of HK\$1.00 each in the capital of Topluck International Holdings Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.



- On 31st March, 2004, 1 share of HK\$1.00 in the capital of Topluck International Holdings Limited was transferred by Cheung Miu Yuen to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of Topluck International Holdings Limited was transferred by Mok Ka Ho to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

***Step Well Investment Limited***

- On 25th March, 2004, 998 shares of HK\$1.00 each in the capital of Step Well Investment Limited were issued and allotted to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of Step Well Investment Limited was transferred by Cheung Miu Yuen to Modern Beauty Management Company Limited for cash at par.
- On 31st March, 2004, 1 share of HK\$1.00 in the capital of Step Well Investment Limited was transferred by Mok Ka Ho to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

***BE Universal Limited (formerly known as Lucky Stand Limited)***

- On 29th March, 2005, 999 shares of HK\$1.00 each in the capital of Lucky Stand Limited (now known as BE Universal Limited) were transferred by Money Chain Limited to Modern Beauty Management Company Limited for cash at par.
- On 29th March, 2005, 1 share of HK\$1.00 in the capital of Lucky Stand Limited (now known as BE Universal Limited) was transferred by Modern Wish Inc. to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

***Beauty Expert (B.V.I.) Limited (formerly known as Lion Key Limited)***

- On 29th March, 2005, 998 shares of US\$1.00 each in the capital of Beauty Expert (B.V.I.) Limited were transferred by Ms. Tsang to Lucky Days Investments Inc. for cash at par.
- On 29th March, 2005, 1 share of US\$1.00 in the capital of Beauty Expert (B.V.I.) Limited was transferred by Mok Ka Ho to Lucky Days Investments Inc. for cash at par.
- On 29th March, 2005, 1 share of US\$1.00 in the capital of Beauty Expert (B.V.I.) Limited was transferred by Kwong Chi Ching to Lucky Days Investments Inc. for cash at par.

*East Union Industries Limited*

- On 28th March, 2005, 9,999 shares of HK\$1.00 each in the capital of East Union Industries Limited were transferred by Modern Wish Inc. to Modern Beauty Management Company Limited for cash at par.
- On 28th March, 2005, 1 share of HK\$1.00 in the capital of East Union Industries Limited was transferred by Ms. Tsang to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*Well Faith International Enterprise Limited*

- On 28th March, 2005, 999 shares of HK\$1.00 each in the capital of Well Faith International Enterprise Limited were transferred by Money Chain Limited to Modern Beauty Management Company Limited for cash at par.
- On 28th March, 2005, 1 share of HK\$1.00 in the capital of Well Faith International Enterprise Limited was transferred by Modern Wish Inc. to Go2win Limited (holding on trust for Modern Beauty Management Company Limited) for cash at par.

*Lucky Days Investments Inc.*

- On 29th March, 2005, 1 share of US\$1.00 in the capital of Lucky Days Investments Inc. was transferred by Modern Wish Inc. to Modern Beauty Management Company Limited for cash at par.

Save as set out above and in the paragraph headed “Corporate reorganisation” below, there has been no other alteration in the share capital of the subsidiaries of the Company in the two years preceding the date of this prospectus.

**Written resolutions of all the shareholders of the Company dated 20th January, 2006**

Pursuant to the written resolutions passed by the then shareholders of the Company dated 20th January, 2006, inter alia:

The authorised share capital of the Company was increased from HK\$390,000 to HK\$1,000,000,000 by the creation of an additional 9,996,100,000 new Shares.

Conditional on the listing committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the new Shares to be issued pursuant to the Share Offer (including those which may be made available pursuant to the exercise of the Over-allotment Option) and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the day immediately before the date on which trading in the Shares commences on the Stock Exchange:

- (a) Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen were appointed as the independent non-executive Directors;
- (b) the proposed issue of 18,000,000 new Shares (subject to re-allocation) to the public for subscription and placing of 162,000,000 new Shares (subject to re-allocation and the Over-allotment Option) to selected professional, institutional and private investors (including such Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the terms and subject to the conditions set out in this prospectus were approved;
- (c) the Directors were authorised to allot and issue such number of Shares in connection with the Share Offer and the Over-allotment Option as they may think fit on and subject to such terms and conditions that they may in their absolute discretion decide;
- (d) the Over-allotment Option was approved and the Directors were authorised to allot and issue any Shares which may be required to be allotted and issued if the Over-allotment Option is exercised;
- (e) conditional upon the listing committee of the Stock Exchange granting approval of the Pre-IPO Share Option Scheme, the Share Option Scheme and the grant of options thereunder and the listing of, and permission to deal in, the Shares which may fall to be issued upon the exercise of any such options, the Pre-IPO Share Option Scheme and the Share Option Scheme were approved and adopted (subject to any further amendments to the Pre-IPO Share Option Scheme and the Share Option Scheme that may be requested by the Stock Exchange and approved by any two Directors), and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of such options and to take all such actions as may be necessary or desirable to implement the Pre-IPO Share Option Scheme and the Share Option Scheme;
- (f) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than pursuant to or in consequence of the Share Offer, rights issues, any allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or any adjustment of rights to subscribe for Shares under options and warrants or a specific authority granted by shareholder of the Company or upon the exercise of the Over-allotment Option, or upon the exercise of any option which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, on behalf of the Company,

Shares with an aggregate nominal value not exceeding the sum of (1) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Share Offer (excluding the Over-allotment Option); and (2) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company under the authority referred to in paragraph (g) below, such mandate to remain in effect until 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 any applicable laws or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest;

- (g) a general unconditional mandate was given to the Directors authorising them to exercise all the powers of and on behalf of the Company to repurchase on the Stock Exchange or any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer, excluding Shares which may be issued upon the exercise of the Over-allotment Option, such mandate to remain in effect until 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 any applicable laws or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest;
- (h) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of the share capital of the Company which is repurchased pursuant to the resolution referred to in paragraph (g) above was approved; and
- (i) the Memorandum and Articles were approved and adopted as the new memorandum and articles in substitution for and to the exclusion of all the existing memorandum and articles of association of the Company, the terms of which are summarised in Appendix IV to this prospectus.

**Corporate reorganisation**

In preparation for the listing of Shares on the Stock Exchange, the companies comprising the Group underwent a reorganisation and the Company became the holding company of the Group. The corporate reorganisation involved the following:

- (a) On 26th July, 2005, Silver Compass Holdings Corp. was incorporated in the BVI with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 26th August, 2005, 100 shares of US\$1.00 each in Silver Compass Holdings Corp. were allotted and issued to Ms. Tsang.
- (b) On 15th July, 2005, Silver Hendon Enterprises Corp. was incorporated in the BVI with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 26th August, 2005, 100 shares of US\$1.00 each in Silver Hendon Enterprises Corp. were allotted and issued to Ms. Tsang.
- (c) On 28th July, 2005, Koladen Enterprises Inc. was incorporated in the BVI with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 31st August, 2005, 50 shares of US\$1.00 each in Koladen Enterprises Inc. were allotted and issued to each of Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp.
- (d) On 19th August, 2005, the Company was incorporated in the Cayman Islands with an authorised capital of HK\$390,000 divided into 3,900,000 shares of HK\$0.10 each. On 8th September, 2005, Mapcal Limited, as initial subscriber, transferred the one issued and outstanding share of HK\$0.10 in the capital of the Company to Silver Compass Holdings Corp. On 8th September, 2005, 50 shares of the Company were allotted and issued as fully paid to Silver Compass Holdings Corp. and 24 shares of the Company were allotted and issued as fully paid to Silver Hendon Enterprises Corp.
- (e) As of 24th January, 2006, Redwood Hot Ltd. transferred 1,000 shares of US\$1.00 each in, being the entire issued share capital of, Modern Beauty Holdings Limited to Koladen Enterprises Inc. in consideration of HK\$1.00.
- (f) As of 24th January, 2006, New Consultants Ltd. transferred 9,999 shares of HK\$1.00 each in, being 99.99% of the issued share capital of, Modern Beauty Saloon Limited to Koladen Enterprises Inc. in consideration of HK\$0.90.
- (g) As of 24th January, 2006, Ms. Tsang transferred 1 share of HK\$1.00 each in, being 0.01% of the issued share capital of, Modern Beauty Saloon Limited to Koladen Enterprises Inc. in consideration of HK\$0.10.
- (h) As of 24th January, 2006, Lee Soo Ghee (holding on trust for Ms. Tsang) transferred 1 share of HK\$1.00 each in, being 50% of the issued share capital of, Modern Beauty Salon (HK) Limited to Koladen Enterprises Inc. in consideration of HK\$0.50.

- (i) As of 24th January, 2006, Mok Ka Ho (holding on trust for Ms. Tsang) transferred 1 share of HK\$1.00 each in, being 50% of the issued share capital of, Modern Beauty Salon (HK) Limited to Koladen Enterprises Inc. in consideration of HK\$0.50.
- (j) As of 24th January, 2006, Silver Compass Holdings Corp. transferred 50 shares of Koladen Enterprises Inc. to the Company in consideration of the Company allotting and issuing, on 25th January, 2006, 367,199,949 Shares, credited as fully paid, to Silver Compass Holdings Corp.
- (k) As of 24th January, 2006, Silver Hendon Enterprises Corp. transferred 50 shares of Koladen Enterprises Inc. to the Company in consideration of the Company allotting and issuing, on 25th January, 2006, 172,799,976 Shares, credited as fully paid, to Silver Hendon Enterprises Corp.

### Share repurchase mandate

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

#### (a) *Provisions of the Listing Rules*

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

##### (i) *Shareholders' approval*

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

*Note:* Pursuant to a written resolution passed by the then shareholders of the Company on 20th January, 2006, a general unconditional mandate (the "Repurchase Mandate") was granted to the Directors authorising the purchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned in this prospectus (excluding, without limitation, any issue of Shares pursuant to the Over-allotment Option), at any time until 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 any applicable laws or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.

##### (ii) *Shares to be repurchased*

The Listing Rules and the Companies Law provide that the shares which are proposed to be repurchased by a company must be fully paid up.

(iii) *Source of funds*

In repurchasing securities, 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.

The Company shall not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

(iv) *Connected Parties*

The Listing Rules prohibit a company from knowingly repurchasing its shares on the Stock Exchange from a “connected person”, which includes a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them and a connected person shall not knowingly sell shares to the Company.

(b) *Reasons for repurchases*

The Directors believe that it is in the interests of the Company and its shareholders for the Directors to have general authority from the shareholders to enable the Company to repurchase Shares in the market at any appropriate time. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share, and will only be made if the Directors believe that such repurchase will benefit the Company and its shareholders.

(c) *Funding of repurchases*

It is presently proposed that any repurchase of Shares would be made out of the funds legally available for the purpose, namely profits or the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by the Articles and subject to the Companies Law, out of capital. Any premium on a repurchase may be made out of profits or the Company’s share premium account or, if so authorised by the Articles and subject to the Companies Law, out of capital.

There might be a material adverse effect 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 at any time. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital or gearing position of the Company which, in each case and in the opinion of the Directors, are from time to time appropriate for the Company.

(d) *Exercise of the repurchase mandate*

Exercise in full of the Repurchase Mandate, on the basis of 720,000,000 Shares in issue immediately after the listing of the Shares, and not including any Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option, could accordingly result in up to 72,000,000 Shares being repurchased by the Company during the period prior 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 any applicable laws or the Articles to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest.

(e) *General*

(i) *Directors and connected person*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, have any present intention to sell any Shares to the Company.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

(ii) *Undertaking*

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 and the applicable laws of the Cayman Islands.

(iii) *Effect of the Takeovers Code*

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of The Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder, or a group of shareholders acting in concert (as defined in the Code) depending on the level of increase in the shareholders' interest, could obtain or consolidate control of the Company and



become(s) obliged to make a mandatory offer in accordance with the Code as a result of any such increase. Save as aforesaid, the Directors are not currently aware of any obligation by any party to make a mandatory offer in accordance with the Code due to any repurchase of Shares under the Repurchase Mandate.

## FURTHER INFORMATION ABOUT THE BUSINESS

### 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) Stanley Tenancy Agreement (as referred to in the paragraph headed “Continuing connected transactions” under the section headed “Business”);
- (b) a deed of novation dated 31st March 2005 entered into among New Consultants Limited, Modern Beauty Saloon Limited and Ms. Tsang, pursuant to which all the rights (if any) and obligations in respect of a debt in the sum of HK\$582,497 owed by New Consultants Limited to Modern Beauty Saloon Limited was novated to Ms. Tsang;
- (c) a deed of novation dated 31st March, 2005 entered into among New Consultants Limited, Modern Beauty Saloon Limited and Ms. Tsang, pursuant to which all the rights (if any) and obligations in respect of a debt in the sum of HK\$199,970,000 owed by New Consultants Limited to Modern Beauty Saloon Limited was novated to Ms. Tsang;
- (d) the Trademark Licensing Agreement;
- (e) the Deed of Indemnity;
- (f) the Deed of Undertaking;
- (g) the Underwriting Agreement; and
- (h) the bank guarantee issued by American Express Bank in favour of the Company on 24th January, 2006 (as referred to in the paragraph headed “Disputes and litigation handling” under the section headed “Business”).

## Intellectual Property

## (A) Trademarks







- (a) As at the Latest Practicable Date, the Group has registered the following trademarks in the territories set out below:








| Trademark  | Class | Territory | Registration number | Expiry date          |
|--|-------|-----------|---------------------|----------------------|
|    | 3     | HK        | 2002B10938          | 3rd January, 2009    |
|  | 41    | HK        | 2002B10936          | 3rd January, 2009    |
|  | 42    | HK        | 2002B10937          | 3rd January, 2009    |
|  | 3     | Singapore | T02/08529F          | 11th June, 2012      |
|  | 41    | Singapore | T02/08532F          | 11th June, 2012      |
|  | 44    | Singapore | T02/08534B          | 11th June, 2012      |
|    | 3     | HK        | 300007541           | 16th April, 2013     |
|  | 44    | HK        | 300007541           | 16th April, 2013     |
|  | 3     | Singapore | T03/09006D          | 17th April, 2013     |
|  | 44    | Singapore | T03/09007B          | 17th April, 2013     |
|  | 44    | PRC       | 3543991             | 6th June, 2015       |
|   | 3     | HK        | 300007569           | 16th April, 2013     |
|  | 44    | HK        | 300007569           | 16th April, 2013     |
|  | 3     | Singapore | T03/07959A          | 17th April, 2013     |
|  | 44    | Singapore | T03/07960E          | 17th April, 2013     |
|  | 3     | HK        | 2004B06569          | 5th June, 2009       |
|  | 41    | HK        | 2004B06568          | 5th June, 2009       |
|  | 42    | HK        | 2004B06567          | 5th June, 2009       |
|  | 3     | Singapore | T02/09760Z          | 4th July, 2012       |
|  | 41    | Singapore | T02/09761H          | 4th July, 2012       |
|  | 44    | Singapore | T02/09762F          | 4th July, 2012       |
|  | 41    | PRC       | 3228095             | 20th September, 2013 |
|  | 44    | PRC       | 3228096             | 6th August, 2013     |
|  | 3     | Singapore | T04/09971E          | 21st June, 2014      |
|  | 41    | Singapore | T04/09972C          | 21st June, 2014      |
|  | 3     | HK        | 300225017           | 31st May, 2014       |
|  | 41    | HK        | 300225017           | 31st May, 2014       |
|  | 44    | HK        | 300225017           | 31st May, 2014       |
|  | 3     | Singapore | T04/09974Z          | 21st June, 2014      |
|  | 41    | Singapore | T04/09975H          | 21st June, 2014      |
|  | 44    | Singapore | T04/09976F          | 21st June, 2014      |

| Trademark  | Class   | Territory      | Registration number | Expiry date          |
|--|---------|----------------|---------------------|----------------------|
|    | 44      | HK             | 300225026           | 31st May, 2014       |
|    | 3       | HK             | 300225035           | 31st May, 2014       |
|  | 41      | HK             | 300225035           | 31st May, 2014       |
|  | 44      | HK             | 300225035           | 31st May, 2014       |
|  | 3       | Singapore      | T04/09977D          | 21st June, 2014      |
|  | 41      | Singapore      | T04/09978B          | 21st June, 2014      |
|  | 44      | Singapore      | T04/09979J          | 21st June, 2014      |
|    | 3       | HK             | 300225044           | 31st May, 2014       |
|  | 41      | HK             | 300225044           | 31st May, 2014       |
|  | 44      | HK             | 300225044           | 31st May, 2014       |
|  | 3       | Singapore      | T04/09980D          | 21st June, 2014      |
|  | 41      | Singapore      | T04/09981B          | 21st June, 2014      |
|  | 44      | Singapore      | T04/09982J          | 21st June, 2014      |
|   | 41      | Taiwan         | 00192068            | 30th November, 2013  |
|  | 3       | HK             | 2004B06565          | 31st May, 2009       |
|  | 41      | HK             | 2004B06566          | 31st May, 2009       |
|  | 42      | HK             | 2004B06536          | 31st May, 2009       |
|  | 3       | Singapore      | T02/08535J          | 11th June, 2012      |
|  | 41      | Singapore      | T02/08536I          | 11th June, 2012      |
|  | 44      | Singapore      | T02/08537G          | 11th June, 2012      |
|  | 3,41,44 | European Union | 003019825           | 23rd January, 2013   |
|  | 3       | HK             | 300142668           | 13th January, 2014   |
|  | 5       | HK             | 300142668           | 13th January, 2014   |
|  | 44      | HK             | 300142668           | 13th January, 2014   |
|  | 3       | Singapore      | T04/00435H          | 15th January, 2014   |
|  | 5       | Singapore      | T04/00437D          | 15th January, 2014   |
|  | 44      | Singapore      | T04/00438B          | 15th January, 2014   |
|  | 3       | HK             | 300293643           | 27th September, 2014 |
|  | 3       | Singapore      | T04/15920C          | 23rd September, 2014 |

| Trademark   | Class | Territory | Registration number | Expiry date         |
|---|-------|-----------|---------------------|---------------------|
|  | 29    | HK        | 300314045           | 4th November, 2014  |
|   | 3     | Indonesia | 559994              | 10th February, 2013 |
|   | 41    | Indonesia | 560421              | 10th February, 2013 |
|   | 44    | Indonesia | 560422              | 10th February, 2013 |

(b) As at the Latest Practicable Date, the Group has applied for registration of the following trademarks:

| Trademark  | Class | Territory   | Application number | Filing date         |
|--|-------|-------------|--------------------|---------------------|
|    | 3     | PRC         | 4616801            | 21st April, 2005    |
|  | 44    | PRC         | 4616802            | 21st April, 2005    |
|  | 41    | HK          | 300445590          | 24th June, 2005     |
|  | 41    | Singapore   | T05/10339B         | 17th June, 2005     |
|  | 41    | PRC         | 4750190            | 28th June, 2005     |
|  | 44    | HK          | 300445608          | 24th June, 2005     |
|  | 44    | Singapore   | T05/10834C         | 24th June, 2005     |
|  | 44    | PRC         | 4742344            | 27th June, 2005     |
|  | 41    | HK          | 300445617          | 24th June, 2005     |
|  | 41    | Singapore   | T05/10337F         | 24th June, 2005     |
|  | 41    | PRC         | 4742343            | 28th June, 2005     |
|  | 44    | PRC         | 3220186            | 21st October, 2005  |
| 大家歸瘦   | 3     | PRC         | 4390204            | 30th November, 2004 |
|  | 44    | PRC         | 4551675            | 21st March, 2005    |
|  | 3     | EU (include | 053364345          | 10th June, 2005     |
|  | 41    | France and  | 053364345          | 10th June, 2005     |
|  | 44    | Italy)      | 053364345          | 10th June, 2005     |

| Trademark   | Class | Territory | Application number | Filing date         |
|---|-------|-----------|--------------------|---------------------|
|   | 44    | Singapore | T04/09973A         | 21st June, 2004     |
|   | 3     | PRC       | 4118110            | 14th June, 2004     |
|   | 44    | PRC       | 4145993            | 30th June, 2004     |
|   | 3     | PRC       | 4141689            | 28th June, 2004     |
|   | 44    | PRC       | 4147911            | 1st July, 2004      |
|   | 3     | PRC       | 4118111            | 14th June, 2004     |
|   |       |           |                    |                     |
|   | 44    | PRC       | 3220183            | 21st October, 2005  |
|   | 3     | CMT       | 3019825            | 23rd January, 2003  |
|   | 41    | CMT       | 3019825            | 23rd January, 2003  |
|   | 44    | CMT       | 3019825            | 23rd January, 2003  |
|   | 3     | PRC       | 4299760            | 8th October, 2004   |
|   |       |           |                    |                     |
|   | 44    | PRC       | 3495188            | 21st March, 2003    |
|   |       |           |                    |                     |
|  | 3     | Malaysia  | 2003/01768         | 17th February, 2003 |
|   | 41    | Malaysia  | 2003/01767         | 17th February, 2003 |
|   | 44    | Malaysia  | 2003/01766         | 17th February, 2003 |

*Notes:*

- (1) Class 3 in Hong Kong covers, inter alia, cosmetics, skincare products, scent oils, essential oils, shampoos and conditioners, hair care products, bath products, body care products, slimming products, breast beauty products, skin treatment products, masks, facial mud and hand wax.
- (2) Class 5 in Hong Kong covers, inter alia, dietetic substances and food adapted for medical use, medical preparations for slimming purposes, health food supplements, vitamin supplements, vitamin preparations and substances, mineral preparations and substances, multi-vitamin and multi-mineral supplements, herbal oils, herbal powders, herbal tablets, herbal foods, herbal ointments, medicinal herbs, herbal vitamins, herbal teas, herbal beverages, beverages adopted for medical purposes, herbal preparations, lotions, cream, ointments and tonics, all containing vitamins or minerals.
- (3) Class 29 in Hong Kong covers, inter alia, poultry; preserved, dried and cooked fruits and vegetables.

- (4) Class 44 in Hong Kong covers, inter alia, beauty salon services, hairdressing and hair salon, Turkish bath services, massage services, beauty care services, facial treatment beauty services, cosmetic services, planning and supervision of weight loss and/or weight gain programmes, medical services relating to fitness and nutrition consultation, medical, healthcare and health clinic services, provision of information relating to all of the aforesaid services, advisory and consultancy services relating to all of the aforesaid services.
- (5) Class 3 in Singapore covers, inter alia, cosmetics, skincare products, scents oils, essential oils, shampoos and conditioners, hair care products, bath products, body care products, slimming products, breast beauty products, skin treatment products, masks, facial mud and hand wax.
- (6) Class 5 in Singapore covers, inter alia, dietetic substances and foods adapted for medical use, medical preparations for slimming purposes, health food supplements, vitamin supplements, vitamin preparations and substances, mineral preparations and substances, multi-vitamin and multi-mineral supplements, herbal oils, herbal powders, herbal tablets, herbal foods, herbal ointments, medicinal herbs, herbal vitamins, herbal teas, herbal beverages, beverages adapted for medical purposes, herbal preparations, lotions, cream, ointments and tonics, all containing vitamins or minerals, all the aforesaid being for medical purposes.
- (7) Class 41 in Singapore covers, inter alia, providing of training services in sports and physical fitness; consultancy services relating to training; gymnasium services relating to weight training.
- (8) Class 44 in Singapore covers, inter alia, beauty salon services, hairdressing and hair salon, Turkish bath services, massage services, beauty care services, facial treatment beauty services, cosmetic services, planning and supervision of weight loss programmes, planning and supervision of weight gain programmes, medical services relating to fitness and nutrition consultation, medical, healthcare and health clinic services, provision of information relating to all the aforesaid services, advisory and consultancy services relating to all of the aforesaid services.
- (9) Class 3 in the PRC covers, inter alia, soap, scents oils, essential oils, cosmetics, skincare solution, skincare cream, skincare milk lotion, skincare lotion, skin regrowth cream, skin regrowth lotion, anti-wrinkle cream and anti-wrinkle lotion, skin lotion, hair care products, sun-block skin products, hand wax, shampoos, toothpaste.
- (10) Class 41 in the PRC covers, inter alia, providing of training services in relation to sports and physical fitness.
- (11) Class 44 in the PRC covers, inter alia, beauty salon services.

(B) *Internet domain names of the Group*

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

| <b>Domain name</b>       | <b>Date of registration</b> |
|--------------------------|-----------------------------|
| modernbeautysalon.com.hk | 31st May, 2000              |
| modernbeautysalon.com    | 1st April, 2000             |
| besanctuaryspa.com       | 8th March, 2004             |
| beautyexpertcollege.com  | 8th March, 2004             |

*Note:* The contents of the websites registered or licensed to the Group do not form part of this prospectus.

**FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT, STAFF,  
SUBSTANTIAL SHAREHOLDERS AND EXPERTS****Particulars of service contracts and Directors' remuneration**

- (a) Each of Ms. Tsang, Mr. Lee Soo Ghee, Ms. Yuen Siu Ping, Mr. Hung Fan Kwan and Mr. Yip Kai Wing has entered into a service contract with the Company dated 20th January, 2006 under which they each agreed to act as an executive Director for an initial term of three years commencing from the Listing Date unless terminated by, in the case of Ms. Tsang and Mr. Lee Soo Ghee, not less than three months' notice and, in the case of Ms. Yuen Siu Ping, Mr. Hung Fan Kwan and Mr. Yip Kai Wing, not less than one month's notice in writing served by either party on the other; whereas each of Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen has entered into a letter of appointment dated 20th January, 2006 for an initial term of three years commencing from the Listing Date. Particulars of these agreements and appointment letters, except as indicated, are in all material respects identical and are set out below:
- (i) each service agreement will continue until terminated, each of the service agreements of Ms. Tsang and Mr. Lee Soo Ghee may be terminated by either party by three months' prior notice and each of the service agreements of Ms. Yuen Siu Ping, Mr. Hung Fan Kwan and Mr. Yip Kai Wing and each of the letters of appointment of Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen may be terminated by either party by one month's prior notice;
  - (ii) the annual salary of each of Ms. Tsang, Mr. Lee Soo Ghee, Ms. Yuen Siu Ping, Mr. Hung Fan Kwan, Mr. Yip Kai Wing, Mr. Wong See Hong, Mr. Yu How Yuen and Mr. Cheng Kai Tai, Allen will be HK\$4,800,000, HK\$4,800,000, HK\$1,000,000, HK\$840,000, HK\$540,000, HK\$120,000, HK\$120,000 and HK\$120,000 per annum, respectively, until such review by the Company; and
  - (iii) various non-cash benefits may be provided to the Directors under their remuneration package.
- (b) Each of the executive Directors will be entitled to receive a monthly discretionary bonus as may be determined by the Board.
- (c) During the year ended 31st March, 2005, the aggregate value of the remuneration paid and benefits in kind granted to the Directors were approximately HK\$20.5 million. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.
- (d) An estimate of approximately HK\$15.5 million was paid and payable to the Directors as remuneration, including any rental, benefits in kind, retirement scheme contributions, other than discretionary bonuses, by the Group in respect of the year ending 31st March, 2006.

- (e) None of the independent non-executive Directors has entered into any service agreement with the Company. Each independent non-executive Director will receive an annual director's fee of HK\$120,000 with effect from the Listing Date as mentioned in paragraph (a)(ii) above.

### Disclosure of Interests

#### (a) *Interest in Shares*

- (i) So far as the Directors are aware, immediately following completion of the Share Offer and taking no account of any Shares which may be issued and allotted pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests and short positions of each of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or will be required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (all of the aforesaid being "Discloseable Interests"), will be as follows:

#### *Long positions in Shares*

| Name of Director  | Capacity         | Number of Shares             | Number of Shares subject to options granted under the Pre-IPO Share Option Scheme | Approximate percentage of issued Shares |
|-------------------|------------------|------------------------------|---|---|
|                   |                  |                              |   |   |
| Ms. Tsang         | Beneficial owner | 540,000,000<br><i>(Note)</i> | 600,000   | 75.08%                                  |
| Mr. Lee Soo Ghee  | Beneficial owner | Nil                          | 650,000   | 0.09%                                   |
| Ms. Yuen Siu Ping | Beneficial owner | Nil                          | 700,000   | 0.1%                                    |
| Mr. Hung Fan Kwan | Beneficial owner | Nil                          | 300,000   | 0.04%                                   |
| Mr. Yip Kai Wing  | Beneficial owner | Nil                          | 250,000   | 0.03%                                   |

*Note:* Ms. Tsang owns the entire shareholding in Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp., each holding 367,200,000 Shares and 172,800,000 Shares, respectively.

Further details of the options under the Pre-IPO Share Option Scheme (such as exercise period, exercise price and vesting period) are set out under the paragraph headed "Pre-IPO Share Option Scheme" in this Appendix.



*Short positions in Shares*

| <b>Name of Director</b> | <b>Capacity</b>                     | <b>Number of Shares<br/>subject to the<br/>short position</b> | <b>Approximate<br/>percentage of<br/>issued Shares</b><br><i>(Note 2)</i> |
|-------------------------|-------------------------------------|---|---|
| Ms. Tsang               | Interest of controlled corporations | 30,600,000 <i>(Note 1)</i>                                    | 4.25%   |

*Notes:*

1. These short positions are the result of: (i) the Company having issued options for 3,600,000 Shares under the Pre-IPO Share Option Scheme. Ms. Tsang, through her interests in Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. (both wholly-owned by Ms. Tsang and each holding 367,200,000 Shares and 172,800,000 Shares, respectively), is deemed to be interested in more than one-third of the issued share capital of the Company and (ii) Silver Hendon Enterprises Corp. having entered into the Stock Borrowing Agreement.
2. As required under the SFO, the relevant percentages are calculated by reference only to the Shares in issue on the Listing Date and assuming that no Shares are issued pursuant to the exercise of the Over-allotment Option, options which have been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme. Consequently, this is based on 720,000,000 Shares, being the number of Shares which will be in issue on the Listing Date assuming that the Shares pursuant to the Share Offer have been issued.

*Long positions in shares of the associated corporation of the Company*

| <b>Name of<br/>Director</b> | <b>Capacity</b>  | <b>Name of<br/>associated<br/>company</b> | <b>Number of shares</b> | <b>Percentage of<br/>the issued<br/>shares of the<br/>associated<br/>company</b> |
|-----------------------------|------------------|---|-------------------------|--|
| Ms. Tsang                   | Beneficial owner | Silver Compass Holdings Corp.             | 100 <i>(Note)</i>       | 100%   |
|                             | Beneficial owner | Silver Hendon Enterprises Corp.           | 100 <i>(Note)</i>       | 100%   |

*Note:* Both Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. are wholly-owned by Ms. Tsang. Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. will hold approximately 75% of the Company immediately after the Share Offer (and assuming the Over-allotment Option is not exercised).

Save as disclosed above, none of the Directors will at the aforesaid time have any Discloseable Interests.

- (ii) So far as the directors or the chief executive of the Company are aware, information on the 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 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 any other member of the Group is set out in the section headed “Interests discloseable under SFO and substantial shareholder” of this prospectus.

### **Agency fees or commissions**

Save as disclosed in 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 any member of the Group within the two years immediately preceding the date of this prospectus.

### **Disclaimers**

Save as disclosed in this prospectus:

- (a) none of the Directors or the experts referred to in the subsection headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of any member of the Group, 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, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (c) none of the Directors has any existing or proposed service contracts 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;
- (d) none of the experts referred to in the subsection headed “Consents of experts” in this Appendix has any shareholding in any member of the Group or the right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreement; and
- (e) none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company’s issued share capital) has any interest in the Group’s five largest suppliers or five largest customers.

## PRE-IPO SHARE OPTION SCHEME

The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal stake in the Company and help motivate the participants to optimise their performance and efficiency and attract and retain participants whose contributions are important to the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, approved and amended by written resolutions of the shareholders of the Company dated 20th January, 2006 are similar to the terms of the Share Option Scheme except for the following:

- (a) the subscription price per Share shall be 60% of the Offer Price; and
- (b) save for the options which have been granted (with details set out below), no further options will be offered or granted, as the right to do so will end upon the listing of Shares on the Stock Exchange.

Application has been made to the listing committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Pre-IPO Options.

As at the date of this prospectus, options have been granted to, inter alia, certain Directors and employees of the Group under the Pre-IPO Share Option Scheme. Details of the options granted have been disclosed under the paragraph headed “Share option schemes” to this Prospectus and below:

| Grantee              | Position in the Company                 | Residential/<br>Registered address  | Date of grant      | Number of Shares subject to the option | Exercise price         | Approximate percentage of the Company's issued share capital immediately upon the listing (if the Over-allotment Option is not exercised) | Approximate percentage of the Company's issued share capital immediately upon the listing (if the Over-allotment Option is exercised in full) |
|----------------------|---|-------------------------------------|--------------------|--|------------------------|---|---|
| <i>Director</i>      |   |                                     |                    |  |                        |   |   |
| Ms. Tsang Yue, Joyce | Chairperson and Chief Executive Officer | 47 Stanley Village Road, Hong Kong. | 24th January, 2006 | 600,000                                | 60% of the Offer Price | 0.083%  | 0.080%  |
| Mr. Lee Soo Ghee     | Vice Chairperson                        | 47 Stanley Village Road, Hong Kong. | 24th January, 2006 | 650,000                                | 60% of the Offer Price | 0.090%  | 0.087%  |

| Grantee                      | Position in the Company                          | Residential/<br>Registered address   | Date of grant         | Number of Shares subject to the option | Exercise price         | Approximate percentage of the Company's issued share capital immediately upon the listing (if the Over-allotment Option is not exercised) | Approximate percentage of the Company's issued share capital immediately upon the listing (if the Over-allotment Option is exercised in full) |
|------------------------------|--|--|-----------------------|--|------------------------|---|---|
| Ms. Yuen Siu Ping            | Chief Operating Officer                          | Room 401,<br>Yun Mei House<br>Yau Mei Court<br>Yau Tong<br>Kowloon<br>Hong Kong                                      | 24th January,<br>2006 | 700,000                                | 60% of the Offer Price | 0.097%  | 0.094%  |
| Mr. Hung Fan Kwan            | Chief Financial Officer and Qualified Accountant | Flat F, 44th Floor, Block 1, Metro Harbourview, 8 Fuk Lee Street, Tai Kok Tsui, Kowloon, Hong Kong.                  | 24th January,<br>2006 | 300,000                                | 60% of the Offer Price | 0.042%  | 0.040%  |
| Mr. Yip Kai Wing             | Chief Technology Officer                         | Flat D, 10th Floor, Block 5, Waldorf Garden, Tuen Mun, New Territories, Hong Kong.                                   | 24th January,<br>2006 | 250,000                                | 60% of the Offer Price | 0.035%  | 0.033%  |
| <i>Senior Management</i>     |  |  |                       |  |                        |   |   |
| Mr. Hui Hon Wa               | Legal Counsel and Company Secretary              | 211 Kilung Street,<br>2nd Floor,<br>Shamshuipo,<br>Kowloon,<br>Hong Kong.  | 24th January,<br>2006 | 80,000                                 | 60% of the Offer Price | 0.011%  | 0.011%  |
| Ms. Ip Lai Fong              | Operation Manager                                | Flat A, 16th Floor,<br>Cheong Ning Building,<br>Tsuen Cheong Centre,<br>Tsuen Wan,<br>New Territories,<br>Hong Kong. | 24th January,<br>2006 | 80,000                                 | 60% of the Offer Price | 0.011%  | 0.011%  |
| Mr. Chan Chit Ming,<br>Joeie | Finance Manager — Treasury Management            | Flat B, 6th Floor,<br>Block 19, Chi Fu<br>Fa Yuen,<br>Pokfulam,<br>Hong Kong.  | 24th January,<br>2006 | 80,000                                 | 60% of the Offer Price | 0.011%  | 0.011%  |
| Ms. Ip Priscilla             | Finance Manager — Tax & Financial Management     | Flat A, 12th Floor, Block 3, Hampton Place, 11 Hoi Fan Road, Kowloon, Hong Kong.                                     | 24th January,<br>2006 | 80,000                                 | 60% of the Offer Price | 0.011%  | 0.011%  |

| Grantee              | Position in the Company               | Residential/<br>Registered address  | Date of grant      | Number of Shares subject to the option | Exercise price         | Approximate percentage of the Company's issued share capital immediately upon the listing (if the Over-allotment Option is not exercised) | Approximate percentage of the Company's issued share capital immediately upon the listing (if the Over-allotment Option is exercised in full) |
|----------------------|---------------------------------------|---|--------------------|--|------------------------|---|---|
| Ms. Yeung See Man    | Finance Manager — Financial Reporting | Flat D, 43rd Floor, Tower 7, Park Central, Tseung Kwan O, New Territories, Hong Kong.                   | 24th January, 2006 | 80,000                                 | 60% of the Offer Price | 0.011%  | 0.011%  |
| Ms. Law Yuk Ting     | Legal Counsel                         | Room B, 33rd Floor, Block 21, Richland Gardens, Kowloon Bay, Kowloon, Hong Kong.                        | 24th January, 2006 | 80,000                                 | 60% of the Offer Price | 0.011%  | 0.011%  |
| <i>Employee</i>      |                                       |   |                    |  |                        |   |   |
| Ms. Tse Wai Kwan     | Executive Manager                     | Flat 14, 8th Floor, On Yan House, Tsz On Court, 10 Yan Wah Street, Kowloon, Hong Kong.                  | 24th January, 2006 | 190,000                                | 60% of the Offer Price | 0.026%  | 0.025%  |
| Ms. Cheung Kwai Ling | Executive Manager                     | Flat D, 18th Floor, Block 4, Marina Garden, Tuen Mun, New Territories, Hong Kong.                       | 24th January, 2006 | 190,000                                | 60% of the Offer Price | 0.026%  | 0.025%  |
| Ms. Lo Yuk Ping      | Executive Manager                     | Flat E, 5th Floor, Block 1, Hibiscus Parks, 91 Hing Shing Road, Kwai Chung, New Territories, Hong Kong. | 24th January, 2006 | 160,000                                | 60% of the Offer Price | 0.022%  | 0.021%  |
| Mr. Yiu Chi Hang     | Assistant Finance Manager             | Flat G, 4th Floor, Block 1, Richland Garden, 138 Wu Chui Road, Tuen Mun, New Territories, Hong Kong.    | 24th January, 2006 | 80,000                                 | 60% of the Offer Price | 0.011%  | 0.011%  |
|                      |                                       |   |                    | <u>3,600,000</u>                       |                        |   |   |

All holders of options granted under the Pre-IPO Share Option Scheme may only exercise their option in the following manner:

| <b>Maximum percentage of option exercisable</b>                | <b>Period for exercise of the relevant percentage of the option</b>  |
|--|--|
| 50% of the total number of the options granted to any grantee  | Upon the expiry of six months after the Listing Date up to five years from the date of grant of the options    |
| 100% of the total number of the options granted to any grantee | Upon the expiry of twelve months after the Listing Date up to five years from the date of grant of the options |

Each of the Directors has undertaken to the Company and the Stock Exchange that no options granted under the Pre-IPO Share Option Scheme will be exercised to the extent that the percentage of the Shares in the public hands will be less than the minimum public float requirement under Rule 8.08 of the Listing Rules as a result thereby.

The Directors confirmed that discount on the Offer Price is given to the holders of the Pre-IPO Options (all are employees of the Group or Directors) as a recognition of their previous contribution to the Group and to provide an incentive to the grantees of the Pre-IPO Options to work with commitment towards enhancing the value of the Group and its Shares for the benefit of the Shareholders and to compensate the grantees for their past contribution based on their individual performance. The Directors consider the amount of discount of the exercise price of the Pre-IPO Options against the Offer Price to be fair and reasonable, especially as the number of Pre-IPO Options granted to the individual option holders is not exceptionally large, ranging from 80,000 Shares to 700,000 Shares.

## **SHARE OPTION SCHEME**

The following is a summary of all the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all the shareholders of the Company on 20th January, 2006:

### **(a) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to give employees, directors, consultants and advisors of the Group an opportunity to have a personal stake in the Company and help motivate them to optimise their performance and efficiency and attract and retain them whose contributions are important to the long-term growth and profitability of the Group.

The Share Option Scheme provides that the Company may specify a minimum holding period and performance conditions which must be satisfied before options can be exercised by the option holders. The Board considers that the aforesaid criteria and the terms of the Share Option Scheme will serve to preserve the value of the Company and encourage option holders to acquire proprietary interests in the Company.

**(b) Who may join**

The Board may, at its absolute discretion and on such terms as it may think fit, offer any employee (whether full-time or part-time), director, consultant or adviser of the Group (the “Participant”) options to subscribe for Shares at a price calculated in accordance with paragraph (e) below and subject to the other terms of the Share Option Scheme summarised below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company on acceptance of the offer for the grant of the option as consideration for the grant.

The basis of eligibility of any of the Participants to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group based on his performance and/or years of service and other relevant factors.

**(c) Maximum number of Shares**

(i) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the relevant class of securities of the Company in issue. No options shall be granted under any scheme of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded from time to time;

(ii) Subject always to the overall limit specified in paragraph (c)(i) above:

- the maximum number of the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes shall not in aggregate exceed 10% of the relevant class of securities of the Company in issue on the date on which dealings in the Shares first commence on the Main Board (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option (the “Scheme Mandate Limit”) (being 72,000,000 Shares). Options lapsed in accordance with the terms of the Share Option Scheme and any other option schemes will not be counted for the purpose of calculating the Scheme Mandate Limit;
- the Scheme Mandate Limit may be refreshed by obtaining prior approval of the shareholders of the Company provided that such refreshed limit shall not exceed 10% of the Shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit (the “Refreshed Limit”). Options previously granted under the Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Refreshed Limit. The Company will send a circular to the Shareholders in accordance with and containing such information as required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4) of the Listing Rules; and

— the Company may grant options beyond the Scheme Mandate Limit to Participants if the Company has first sent a circular to Shareholders containing a generic description of the specified Participants in question, the number and terms of the options to be granted, the purpose of granting options to the specified Participants with an explanation as to how the terms of the options serve such purpose and the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules and separate Shareholder’s approval in general meeting has been obtained.

(iii) The maximum number of Shares issued and to be issued upon exercise of options granted to a specifically identified single grantee under the Share Option Scheme and any other share option schemes shall not in any 12-month period exceed 1% of the issued share capital of the Company (the “Individual Limit”). Where any further grant of options to a Participant would result in the securities issued and to be issued upon exercise of all options granted and to be granted to a Participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, the Company has to first sent a circular to the Shareholders containing the identity of the Participant in question, the number and terms of the options to be granted (and options previously granted to such Participant), and the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules, and separate Shareholder’s approval has been obtained in general meeting with the proposed relevant grantee (as the case may be) and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted must be fixed before the approval of the Shareholders is sought and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rule.

(d) **Performance target**

The Share Option Scheme does not set out performance targets which must be achieved before the options may be exercised. However, on the grant of options by the Board, the Board may specify, as part of the terms and conditions of such option, the performance condition which must be satisfied before the option can be exercised.



**(e) Subscription price**

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a Business Day (the "Date of Grant"); and
- (ii) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Date of Grant (provided that the new issue price shall be used as the closing price for any business day falling within the period before the listing of the Shares, where the Company has been listed for less than five Business Days as at the Date of Grant); and
- (iii) the nominal value of the Shares.

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

An option shall be personal to the grantee and shall not be assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or any part thereof granted to such grantee without incurring any liability on the part of the Company.

**(g) Option granted to Directors, chief executive or substantial Shareholders**

- (i) Any options granted to a Participant who is a Director, chief executive or substantial shareholder of the Company (as defined in the Listing Rules) of the Company or any of their respective associates shall be subject to prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options in question or an associate thereof).
- (ii) Any options granted to a Participant who is a substantial shareholder of the Company (as defined in the Listing Rules) or independent non-executive Director or their respective associates, which will result in the Shares issued and to be issued upon exercise of all the options granted and to be granted (including options whether exercised, cancelled or outstanding) to such person in the period of 12-month period up to and including the date of such grant:
  - representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
  - having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of each grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange).

Such grant of options shall be subject to the issue of a circular by the Company and the prior approval of the Shareholders (voting by way of poll) on which all connected persons of the Company shall abstain from voting in favour at such general meeting, and/or such other requirements prescribed under the Listing Rules from time to time.

The circular to be issued by the Company to the shareholders of the Company pursuant to the above paragraph must contain the following information:

- (i) details of the number and terms (including the exercise price) of the options to be granted to each Participant, which must be fixed before the shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4); and
- (iv) the information required under Rule 2.17.

Shareholders' approval as required under Rule 17.04(1) is also required for any change in the terms of options granted to a Participant who is a substantial shareholder or an independent non-executive Director, or any of their respective associates. The requirement for the granting of options to a Director or chief executive of the Company set out in Rules 17.04(1), (2) and (3) do not apply where the Participant is only a proposed Director or chief executive of the Company.

(h) **Grant of option**

The Board shall not grant any option under the Share Option Scheme after a price sensitive development concerning the Company or any of its subsidiaries has occurred or a price sensitive matter concerning the Company or any of its subsidiaries has been the subject of a decision until such price sensitive information has been published in the newspaper. 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 Exchange 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 Exchange Listing Rules))); and (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Exchange Listing Rules, or quarterly or any other interim period (whether or not required under the Exchange Listing Rules), and ending on the date of the results announcement, no option may be granted.

(i) **Time of exercise of an option**

An option may be exercised in whole or in part by the option holder in accordance with the terms of the Share Option Scheme at any time during the “Option Period”, that is, the period to be notified by the Board to each grantee upon the grant of options, such period shall commence on the date falling 6 months after the Date of Grant and shall not exceed ten years from the Date of Grant of the relevant option.

(j) **Cancellation of options**

Cancellation of any option granted but not exercised shall be conditional on the approval by the Board (including the approval of independent non-executive Directors) and the grantee(s) concerned.

In the event that the Board elects to cancel any option granted but not exercised and issue new options to the same grantee on such terms as may be agreed with the relevant grantee, the issue of such new options shall be made with available unissued options (excluding the cancelled options) within the limits prescribed in the Share Option Scheme.

(k) **Voting, dividend, transfer and other rights**

No voting, dividend, transfer and other rights shall be exercisable and no dividends shall be payable in relation to options that have not been exercised.

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles in force as at the date of allotment and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on such date of allotment and accordingly shall entitle the holders to participate in all voting dividends, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment.

(l) **Reorganisation of the capital structure of the Company**

In the event of any alteration to the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of the Company, or otherwise howsoever, such corresponding adjustments (if any) shall be made in the number of nominal amount of Shares subject to any options so far as unexercised and/or the exercise price per Share of each outstanding option and/or the method of exercise of the option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto.

Any such adjustments will be made on the basis that a grantee shall have the same proportion of equity capital of the Company as to which that grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5th September, 2005 to all issuers with respect to Share Option Scheme) but no such alterations shall have the effect of enabling any Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such adjustments.

**(m) Rights on a takeover**

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement stated below) is made in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option at any time within such period as shall be notified by the Board.

**(n) Rights on scheme of arrangement**

If a general offer for Shares by way of a scheme of arrangement is made to all the holder of Shares and has been approved by the necessary number of holders of the Shares at the requisite meetings, the Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by the Board) exercise the option.

**(o) Rights on winding up**

In the event of a notice is given by the Company to its Shareholders to convene a Shareholder's meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the option, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be issued on exercise of such option.

**(p) Rights on a compromise or arrangement**

In the event of a compromise or arrangement, other than a scheme of arrangement mentioned above, between the Company and its members or creditors being proposed 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 arrangement and the grantee may at any time thereafter but before such time as shall be notified by the Company exercise the option, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(q) **Present status of the Share Option Scheme**

As at the date of this prospectus, no option has been granted or agreed to be granted by the Company under the Share Option Scheme.

Application has been made to the listing committee for listing of, and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme up to the Scheme Mandate Limit.

(r) **Duration of the Share Option Scheme**

The Share Option Scheme will remain in force for a period to be notified by the Board, such period shall commence on the date falling six months after the Date of Grant and shall not exceed the period of ten years from the Date of Grant.

(s) **Alteration of the Share Option Scheme**

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants and no changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall be made, without the prior approval of the Shareholders in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, must also, to be effective, be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme. However, if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders of the Company in general meeting.

(t) **Lapse of options**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the following events:

- (i) expiry of the Option Period (subject to the provision of the Share Option Scheme);
- (ii) expiry of twelve months following the death of the grantee, provided that none of the events which would be a ground for termination of his employment as described in paragraph (iii) below arises;

- (iii) the date on which the grantee who is an employee or director of the Company or another member of the Group ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that:
  - (1) the grantee has been guilty of serious misconduct;
  - (2) the grantee appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts;
  - (3) the grantee has committed any act of bankruptcy;
  - (4) the grantee has become insolvent or has made any arrangements or composition with his creditors generally; or
  - (5) the grantee has been convicted of any criminal offence involving his integrity or honesty or any other grounds on which an employer would be entitled to terminate his employment summarily;
- (iv) one month after the date on which the grantee who is an employee or director of the Company or another member of the Group ceases to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph (iii) above;
- (v) the last date of the period of at least one month within which the options shall be exercisable as specified by the Board in the written notice to the grantee within one month from the date on which the grantee who is not an employee or a director of the Company or another member of the Group ceases to be a Participant as and when determined by the Board by resolution for any reason other than his death;
- (vi) expiry of the periods referred to in paragraph (o) and (p) above respectively;
- (vii) in the case of any takeovers and scheme of arrangement, the expiry of the periods for exercising the options as specified in the Share Option Scheme; provided that in the takeovers, any court of competent jurisdiction does not make an order to prohibit offeror from acquiring the remaining Shares in the offer, and provided that in the scheme of arrangement, such proposed arrangement becomes effective;
- (viii) the date of the commencement of the winding-up of the Company;
- (ix) any breach of the provision described in paragraph (f) above; or
- (x) subject to the provision of the Share Option Scheme, the date of the grantee ceases to be a Participant for any other reason.

In the event of the grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph (iii) above and the grantee has exercised the option in whole or in part, but Shares have not been allotted to him, the grantee shall be deemed not to have so exercised such option and the Company shall return to the grantee the amount of the subscription price for the Shares in respect of the purported exercise of such option.

(u) **Termination**

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of this Scheme and in such event no further options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme. Details of the options granted, including options exercised or outstanding, under the Share Option Scheme and (if applicable) options that become void or non-exercisable as a result of the termination must be disclosed in the circular to shareholders of the Company seeking approval of the first new scheme to be established after such termination.

(v) **Disclosure of the Share Option Scheme**

The Company shall disclose details of the Share Option Scheme in its annual and interim reports in accordance with the Listing Rules in force from time to time.

(w) **Administration of the Share Option Scheme**

The Share Option Scheme shall be administered by the Board whose decision shall be final and binding on all parties.

## **OTHER INFORMATION**

### **1. Estate duty and indemnities on tax, litigation and claims**

Ms. Tsang, Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. (the “Indemnifiers”) have, pursuant to the Deed of Indemnity, agreed to provide indemnities in favour of the Group in respect of, among other matters (a) any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the Listing Date; (b) any taxation which has been made or may be made under or by reason of any transfer of any property to any member of the Group or to any other person, entity or company made or deemed to have been made (including any liability for Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property to any member of the Group) in accordance with sections 35 and/or 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) on

or before the Listing Date; and (c) all claims, payments, suits, damages, settlement payments and/or any associated costs and expenses which would be incurred by any member of the Group as a result of litigation, arbitration and/or legal proceedings against any member of the Group which was issued, accrued and/or arising from any act of any member of the Group on or before the Listing Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation in circumstances including:

- (i) full provision has been made for such taxation in the audited consolidated accounts of the Group for the three years ended 31st March, 2005 and the four months ended 31st July, 2005;
- (ii) the taxation arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of the Deed of Indemnity; and
- (iii) the taxation on liability would not have arisen, but for some act or omission of any member of the Group voluntarily effected other than in the course of normal day to day operations on or before the Listing Date.

The Indemnifiers shall be under no liability under the Deed of Indemnity for litigation and claims to the extent that full provision has been made for such claims and/or costs in the audited consolidated accounts of the Group or the audited accounts of the relevant member(s) of the Group for the three years ended 31st March, 2005 and the four months ended 31st July, 2005.

The indemnity in relation to litigation, claims and costs, accrued and/or arising from any act of any member of the Group on or before the Listing Date, arising from or as a result of any litigation, arbitration and/or legal proceedings against any member of the Group will be backed by a bank guarantee of not less than HK\$10 million to be provided by American Express Bank in favour of the Company for a period of six years from the Listing Date. The amount is calculated by reference to the aggregate amount of approximately HK\$7,553,000, being the amount claimed against the Group as stated in the litigation documents, and a buffer of approximately HK\$2.4 million. The bank guarantee is supported by Ms. Tsang's credit line with the bank and will not be released unless there is approval from the independent board committee (comprising all the independent non-executive Directors). Any decision by the independent non-executive Directors to release the said bank guarantee will be disclosed by way of a paid announcement.

Whenever the Company receives any demand, notice, judgment or settlement proposal in respect of claims (the "Notice"), any director or officer of the Company who receives the Notice shall immediately notify and copy the Notice to all Directors (including the independent non-executive Directors).

Upon expiry of the six-year period, the independent non-executive Directors will review the number of on-going claims (including counter-claims) and litigation cases instigated against the Group at that time which are still subject to the Deed of Indemnity (including the amount claimed, nature of the claims and progress of the litigation cases) and will accordingly consider appropriate



adjustments to the Guarantee, such adjustments may include (a) renewal of the Guarantee for the same aggregate sum of HK\$10,000,000; (b) renewal of the Guarantee for a reduced aggregate sum in the event that the number of on-going claims (including counter-claims) and litigation cases instigated against the Group and the aggregate amount claimed have been reduced; (c) release of the existing Guarantee if there is no longer any claim or litigation case instigated against the Group at that time; or (d) extension of the Guarantee.

## 2. Litigation

In respect of the litigation matters, it is the Group's general principle that it will use its best endeavours to reach settlement with the claimants if the claims filed against the Group have reasonable grounds. However, the Group will exercise its rights to defend itself if the claimants do not have good grounds to claim against the Group.

During the course of business, the Group has received complaints and claims in respect of various matters concerned mostly with the provision of beauty services. Such complaints include complaints filed with the Hong Kong Consumer Council, and such claims include various small claims filed at Hong Kong Small Claims Tribunal, and claims filed at Hong Kong District Court and Hong Kong High Court in respect of breach of contract, content of advertisement and personal injuries in relation to the services provided. In relation to one of the claimants, a member of the Group has filed a defamation claim in respect of comments made by the claimant in a magazine. As at the Latest Practicable Date, the Group is involved in 23 outstanding cases filed at Hong Kong High Court, Hong Kong District Court and Hong Kong Small Claims Tribunal. The aggregate amount claimed against the Group is approximately HK\$7,553,000 and of which approximately HK\$776,000 is connected to beauty-related services.

In this respect, the Directors are of the view that since the Group is engaged in the provision of beauty and healthcare services to customers, it is expected that the customers may have subjective views on the level of satisfaction of the services provided, which may result in disputes or otherwise. Although there are a number of ongoing litigation matters claiming against the Group, most of the claims are of a sum of not more than HK\$50,000 and are brought in the Small Claims Tribunal. For the three years ended 31st March, 2005 and the four months ended 31st July, 2005, the total amount paid by the Group in relation to the claims brought in the Small Claims Tribunal is approximately HK\$410,000. Taking into account the amount involved in each matter, the Directors are of the view that the litigation brought in the Small Claims Tribunal will not have a material impact on the business or financial position of the Group.

During the operation of business, certain members of the Group have also been involved in litigation proceedings. In particular, a member of the Group has been involved in a litigation disputing over a software design contract. Besides, members of the Group have been involved in litigation proceedings regarding disputes over the tenancy agreement and renovation work in respect of the service centres, which includes damage of premises, refund of rental deposit and renovation work. The legal advisors acting for the Group in the tenancy and renovation dispute cases involving larger

amounts opined that the Group is unlikely to bear any ultimate liability. Each of those cases generally involves an amount of not more than HK\$1,000,000 except that a member of the Group in one of the cases has counter-claimed for around HK\$3.7 million and that two of the cases involve larger amounts as discussed below.

The Group has been involved in litigation proceedings against a former director of a member of the Group, Mr. Kwong Ping Sun, Danny, in which a member of the Group has claimed for around HK\$29.5 million for his breach of director's duties and money owed to the member of the Group while it involved a counter-claim against the member of the Group for around HK\$6.1 million. A legal advisor, who did not act for any of the parties involved in this case, opined that the Group has good grounds of success, and the counter-claim made against the Group is unlikely to succeed, thus it is not expected that the Group would have any ultimate liability for this case. The Directors, therefore, are of the view that this litigation should not have material adverse impact on the business or financial position of the Group.

In addition, Modern Advertising (HK) Limited has instigated a litigation proceeding against MUI Music Limited and the personal representative of Mui Yim Fong (Deceased) in respect of a claim of HK\$2,300,000 for making misrepresentations to induce Modern Advertising (HK) Limited to enter into a spokesperson agreement while it is subject to a counter-claim of damages and costs. The Group's legal advisor in this case opined that the defendants do not have any ground for its counter-claim and therefore, the Group is unlikely to bear any ultimate liability. The Directors are of the view that this litigation matter should not have material adverse impact on the business or financial position of the Group.

The Directors confirmed that as at the year/period end for three years ended 31st March, 2005 and the four months ended 31st July, 2005, the Group had the following outstanding claims (including counterclaims) in the Hong Kong Small Claims Tribunal, Hong Kong District Court and Hong Kong High Court filed against the Group:

|  | <b>As at<br/>31st March,<br/>2003</b> | <b>As at<br/>31st March,<br/>2004</b> | <b>As at<br/>31st March,<br/>2005</b> | <b>As at<br/>31st July,<br/>2005</b> |
|--|---------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|
| Approximate number of outstanding claims (including counterclaims) filed against the Group | 11                                    | 11                                    | 12                                    | 19                                   |
| Approximate total amounts involved   | HK\$6,653,414.72                      | HK\$7,435,748                         | HK\$7,530,914                         | HK\$7,660,654                        |

Among the outstanding litigation and claims as at the Latest Practicable Date, the following six cases (or category of cases) involve relatively larger amount of claims:

| Particulars of cases or category of cases  | Approximate amount<br>of claim initiated by<br>the Group as at the<br>Latest Practicable<br>Date<br>(HK\$) | Approximate amount<br>of counter-claim/<br>claim against<br>the Group as at the<br>Latest Practicable<br>Date<br>(HK\$) |
|--|--|---|
| Mr. Kwong Ping Sun Danny ( <i>Note 1</i> )   | 29,510,000   | 6,100,000   |
| Dispute over a contract involving<br>renovation work ( <i>Note 2</i> )                               | 3,713,000  | 519,000   |
| MUI Music Limited and the personal<br>representative of Mui Yim Fong<br>(Deceased) ( <i>Note 3</i> ) | 2,300,000  | To be assessed by<br>the court (plus interest<br>and legal costs)   |
| Dispute over a software design contract<br>( <i>Note 4</i> )   | 441,000  | 158,000   |
| Dispute over a tenancy agreement ( <i>Note 5</i> )   | 281,000  | Not applicable  |
| Provision of beauty-related services ( <i>Note 6</i> )   | Not applicable   | 776,000   |
| Other  | <u>210,000</u>   | <u>Nil</u>  |
| Total  | <u><u>36,455,000</u></u>   | <u><u>7,553,000</u></u>   |

*Notes:*

- On 17 May, 2001, a Hong Kong High Court action was commenced by Modern Beauty Saloon Limited against Kwong Ping Sun Danny in respect of a claim of HK\$29,510,244.34 plus damages, interest and costs for breach of director's duties and money owed to Modern Beauty Saloon Limited. Kwong Ping Sun Danny filed a counter-claim on 28 June, 2001 against Modern Beauty Saloon Limited for a liquidated sum of HK\$6,100,000 and interest. Based on the opinion from legal advisor who did not act for any of the parties involved in this case, the Group has good grounds of success and the counter-claim made against the Group is unlikely to succeed, thus it is not expected that the Group will have any ultimate liability for this case. The Directors are, therefore, of the view that this litigation should not have any material adverse impact on the business or financial position of the Group.
- On 23rd June, 2003, a Hong Kong District Court action (the case was transferred to the Hong Kong High Court on 16th August, 2004) was commenced by Creative Elite Limited against Modern Beauty Saloon Limited in respect of a claim of HK\$519,449.09 plus interest and costs for the outstanding payment in relation to the renovation work performed by Creative Elite Limited on shops of Modern Beauty Saloon Limited. On 25th August, 2003, Modern Beauty Saloon Limited filed a counter-claim for HK\$3,712,673.25 plus interest and costs in respect of damages and loss of profit for sub-standard performance of renovation work at its shops. The legal advisor of Modern Beauty Saloon Limited handling this case opined that Modern Beauty Saloon Limited is unlikely to bear any ultimate liability. As such, the Directors are of the view that this litigation should not have material adverse impact on the business or financial position of the Group.

3. On 4 November, 2004, a Hong Kong High Court action was commenced by Modern Advertising (HK) Limited against MUI Music Limited and the personal representative of Mui Yim Fong (Deceased) in respect of a claim of HK\$2,300,000 for making misrepresentations to induce Modern Advertising (HK) Limited to enter into a spokesperson agreement. On 16 December, 2004, MUI Music Limited and the personal representative of Mui Yim Fong (Deceased) filed a counter-claim against Modern Advertising (HK) Limited for an amount to be assessed by the court in respect of the benefit which Modern Advertising (HK) Limited had obtained before the time of discharge of the agreement pursuant to sections 16(3) and 16(6) of the Law Amendment and Reform (Consolidation) Ordinance (Chapter 23 of the Laws of Hong Kong). The Group's legal advisor handling this case opined that MUI Music Limited and the personal representative of Mui Yim Fong (Deceased) do not have any ground for its counter-claim and therefore, the Group is unlikely to bear any ultimate liability. The Directors are of the view that this litigation should not have material adverse impact on the business or financial position of the Group.
4. On 2 January, 2003, a Hong Kong District Court action was commenced by Modern Beauty Saloon Limited against CyberM Information Technology Limited in respect of a claim of HK\$440,814 plus interest and costs for failing to perform the contractual obligations under a contract for the supply of software solution and the implementation of computer services. CyberM Information Technology Limited filed a counter-claim on 12 February, 2003 for HK\$157,500 plus interest and costs in respect of the amount of unpaid invoices for the services provided. The Directors are of the view that, since Modern Beauty Saloon Limited is the plaintiff in this case and an indemnity will be provided, the counter-claims should not have material adverse impact on the business or financial position of the Group.
5. On 27 September, 2003, a Hong Kong District Court action was commenced by Modern Beauty Saloon Limited against Hing Yip Investment Company Limited and Fervent Estate Limited in respect of a claim of a liquidated sum of HK\$280,729 plus interest for the balance of rental deposit to be returned upon Modern Beauty Saloon Limited delivering up vacant possession of the premises in accordance with a tenancy agreement dated 23 August, 2001. The legal advisor of this case opined that Hing Yip Investment Company Limited and Fervent Estate Limited did not make any counter-claim and it is unlikely for Modern Beauty Saloon Limited to bear any ultimate liability save as to costs. The Directors are, therefore, of the view that this litigation should not have material adverse impact on the business or financial position of the Group.
6. This category of cases include claims in respect of damages for breaches of provision of beauty-related service contracts, misrepresentation to induce into a sales contract, returns of pre-payment and personal injuries as a result of negligence on the part of the independent contractors.

As at the Latest Practicable Date, all the litigation and claims together threatened against the Group involve an amount of approximately HK\$7,553,000. Notwithstanding, in respect of particularly the litigation matters threatened against the Group, taking into account the amount involved in each matter (as compared to the sales of the Group), the chance of successful defence by the Group, the likelihood of settlement between the parties in the litigation matters, the Directors believe that these litigation matters should not have material adverse impact on the business or financial position of the Group. Based on the above and the fact that it is unlikely for the Group to be sued for a substantially larger amount for the above claims, the legal advisors acting for the Group in those litigation matters involving larger amount are of the views that the litigation should not have material adverse impact on the business or financial position of the Group. Based on (a) the views of the Directors that other cases, the details of which are not specifically set out in the paragraph, will not have a material adverse impact on the business or financial position of the Group; (b) the legal advisers' opinions on the cases set out in this paragraph and (c) the Indemnifiers will provide an indemnity, in relation to all claims, payments, suits, damages, settlement payments and any associated costs and expenses which would be incurred or suffered by the Group as a result of any litigation, arbitration and/or legal

proceedings against any member of the Group which was issued and/or accrued and/or arising from any act of any member of the Group on or before Listing Date. No provision was recognised and no disclosure was made in the Accountants' Report because the management considered that the likelihood of an outflow of resources as a result of the on-going litigations is remote. The Sponsor is of the view that the outstanding litigations of the Group should not have material adverse impact on the business or financial position of the Group.

Save as disclosed in this prospectus, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

The Indemnifiers will provide an indemnity in relation to the litigation and claims involved by the Group. Information on such indemnity is summarised under the paragraph headed "Indemnity on litigation and claims" under the section headed "Business" and the paragraph headed "Estate duty and indemnities on tax, litigations and claims" in this Appendix.

### 3. **Sponsor**

The Sponsor has made an application on behalf of the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

### 4. **Preliminary expenses**

The preliminary expenses of the Company are estimated to be approximately US\$2,200 (being approximately HK\$17,160) and are payable by the Company.

### 5. **Promoter**

The promoter of the Company is Ms. Tsang. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given or proposed to be paid, allotted or given to any promoters in connection with the Share Offer or the related transactions described in this prospectus.

## 6. Qualification of experts

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

| <b>Expert</b>                      | <b>Qualification</b>   |
|------------------------------------|--|
| Sun Hung Kai International Limited | Licensed corporation under the SFO for regulated activities of dealing in securities and advising on corporate finance |
| PricewaterhouseCoopers             | Certified public accountants   |
| Sallmanns (Far East) Limited       | Chartered professional surveyors and valuers   |
| Maples and Calder                  | Cayman Islands attorneys-at-law  |

## 7. Consents of experts

Each of Sun Hung Kai International Limited, PricewaterhouseCoopers, Sallmanns (Far East) Limited and Maples and Calder, has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion (as the case may be) and the references to its name included herein in the form and context in which they respectively appear.

## 8. Binding effect

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

## 9. Taxation of holders of Shares

### (a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax for persons who carry on a business of trading or dealing in securities in Hong Kong.

The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares.

(b) *Cayman Islands*

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Consultation with professional advisers*

Prospective holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or other parties involved in the Share Offer will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**10. Register of members**

The register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares for the purpose of trading on the Stock Exchange must be lodged for registration with and registered by, the Company's share registrar in Hong Kong.

**11. Miscellaneous**

(a) Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
- (iv) the Directors confirm that since 31st July, 2005 (being the date to which the latest audited combined financial statements of the Group were made up), there has been no material adverse change in the financial or trading position or prospects of the Group;
- (v) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.

(b) No member of the Group is presently listed on any stock exchange or traded on any trading system.

- (c) There has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the twelve months immediately preceding the date of this prospectus.
  
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.