

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 13 July 2011 with an authorised share capital of HK\$100,000 divided into 1,000,000 Shares. On 13 July 2011, one nil-paid Share was allotted and issued to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Peter Sun on the same date. The said one nil-paid Share was subsequently paid up in the manner described in paragraph 4 below.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of the Cayman Islands and its constitution which comprises a memorandum of association and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and our Company's constitution is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company*(a) Increase in authorised share capital*

The authorised share capital of our Company was increased from HK\$100,000 to HK\$450,000,000 by the creation of 4,499,000,000 new Shares pursuant to a resolution passed by the sole Shareholder referred to in paragraph 3 below.

Immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Over-allotment Option), the authorised share capital of our Company will be HK\$450,000,000 divided into 4,500,000,000 Shares, of which 600,000,000 Shares will be issued fully paid or credited as fully paid, and 3,900,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this paragraph and in the paragraphs headed "Incorporation of our Company", "Resolutions in writing of the sole Shareholder passed on 22 September 2012" and "Group reorganisation" of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the sole Shareholder passed on 22 September 2012

By resolutions in writing of the sole Shareholder passed on 22 September 2012:

- (a) we approved and adopted the Articles;
- (b) the authorised share capital of our Company was increased from HK\$100,000 to HK\$450,000,000 by the creation of 4,499,000,000 new Shares;
- (c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (bb) the Offer Price having been determined; (cc) the execution and delivery of the International Placing Agreement on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in such underwriting agreement:
 - (i) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option; (bb) implement the Global Offering and the listing of Shares on the Main Board of the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$44,900,000 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 449,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 22 September 2012 (or as they may direct) in proportion (as nearly as possible without involving

fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that our Shares be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and (bb) the nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for Listing, which involved the following:

- (a) KFM-BVI was incorporated in BVI on 28 June 2011 to act as the intermediate holding company of our Group. On incorporation, no shares were allotted and the authorised share capital was US\$50,000 divided into 50,000 shares of US\$1.00 each.
- (b) Our Company was incorporated in the Cayman Islands on 13 July 2011 to act as the ultimate holding company of our Group. The authorised share capital of our Company, on incorporation, was HK\$100,000 divided into 1,000,000 Shares of HK\$0.10 each. One nil paid Share was issued and transferred from the initial subscriber to Mr. Peter Sun on 13 July 2011.
- (c) On 28 July 2011, each unissued share of KFM-BVI were sub-divided into 100 shares of US\$0.01 each. The authorised share capital of KFM-BVI became US\$50,000 divided into 5,000,000 shares of US\$0.01 each.
- (d) On 11 October 2011, each of Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen and Mr. Yung Ching Tak transferred the entire issued share capital of KFM-HK to KFM-BVI for a consideration of HK\$1.00 for each individual, and which was satisfied by the issue and allotment of an aggregate of 79,740 shares by KFM-BVI.
- (e) On 29 November 2011, Mr. Peter Sun transferred 1,000 shares in KPP-HK (representing 10% of the total issued share capital of KPP-HK) which were held by Mr. He Lin as trustee on trust for him to KFM-HK for a consideration of HK\$1.00, and which was satisfied by the issue and allotment of 3,460 shares by KFM-BVI (at the direction of KFM-HK) to him.
- (f) On 29 December 2011, Mr. Banson Lam, Mr. Chan Lin On, Mr. Yeung Man Chiu and Mr. Alan Suen transferred 900,000 shares, 900,000 shares, 450,000 shares and 200,000 shares in KRP-HK (representing an aggregate of 49% of the total issued share capital of KRP-HK) respectively to KFM-HK, for a consideration of HK\$1.00 for each individual, and which was satisfied by the issue and allotment of an aggregate of 16,800 shares by KFM-BVI (at the direction of KFM-HK) to them.
- (g) On 13 September 2012, Mr. Peter Sun transferred one nil-paid share in our Company to KIG; and on 13 September 2012, all shareholders of KFM-BVI transferred the entire issued share capital in KFM-BVI to our Company, in exchange for which our Company, at the direction of the shareholders of KFM-BVI, (a) issue and allot 999,999 shares to KIG, credited as fully paid; and (b) credited as fully paid at par the one nil-paid share which was then registered in the name of KIG.

- (h) In order to recognise and reward the contribution of certain eligible participants to the growth and development of our Group, KIG adopted a share award plan on 22 September 2012. Mr. Peter Sun acted as the trustee to the share award plan. Among the 4,670 shares in KIG held by Mr. Peter Sun, 220 shares were held by him as trustee on trust for the share award plan of KIG.

5. Changes in share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountant's Report set out in Appendix I to this prospectus.

Save for the alterations described in paragraph 4 above, the following alteration in the authorised share capital of the subsidiary of our Company took place within the two years immediately preceding the date of this prospectus:

- (a) On 18 June 2010, the total investment amount of KRP-Shenzhen was increased from US\$3,000,000 to US\$5,000,000 and the registered capital of KRP-Shenzhen was increased from US\$2,500,000 to US\$4,500,000.
- (b) On 25 August 2011, the total investment of KPP-Suzhou was increased from US\$12,500,000 to US\$99,000,000 and the registered capital of KPP-Suzhou was increased from US\$6,000,000 to US\$33,400,000.
- (c) On 6 April 2011, KFM-Shenzhen was established in the PRC with registered capital of US\$4,000,000 and total investment amount of US\$4,000,000.
- (d) On 10 July 2012, the total investment amount of KFM-Shenzhen was increased to US\$7,500,000 and the registered capital of KFM-Shenzhen was increased to US\$7,000,000.
- (e) On 7 September 2012, the total investment amount of KRP-Shenzhen was increased from US\$5,000,000 to US\$12,500,000 and the registered capital was increased from US\$4,500,000 to US\$8,500,000.

6. Further information about our Group's PRC establishments

Our Group has interest in the registered capital of four establishments in the PRC. A summary of the corporate information of these enterprises are set out as follows:

(a) KRP-Shenzhen

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| (i) Name of the enterprise: | 德利賽精密五金製品（深圳）有限公司 (Kingdom (Reliance) Precision Parts (Shenzhen) Mfy. Limited*) |
| (ii) Economic nature: | Limited liability company (wholly owned by Taiwan, Hong Kong or Macau corporation (台港澳法人獨資)) |
| (iii) Registered owner: | KRP-HK |
| (iv) Total investment: | US\$12,500,000 |
| (v) Registered capital: | US\$8,500,000 |
| (vi) Attributable interest to our Group as at the Latest Practicable Date: | 100% |
| (vii) Term of operation: | From 15 February 2007 to 15 February 2027 |
| (viii) Scope of business: | Technology research, production, wholesale, import and export business of precision bearing and fine metal products (Commodities involving quota permit management and specific regulation management should be handled in accordance with the relevant regulations of China) |

(b) KRP-Shanghai

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| (i) Name of the enterprise: | 金德利賽精密機電部件（上海）有限公司 (Kingdom Reliance Mechatronic Components (Shanghai) Mfy. Ltd.*) |
| (ii) Economic nature: | Limited liability company (wholly owned by Taiwan, Hong Kong or Macau corporation (台港澳法人獨資)) |

- (iii) Registered owner: KRP-HK
- (iv) Total investment: US\$5,030,000
- (v) Registered capital: US\$3,530,000
- (vi) Attributable interest to our Group as at the Latest Practicable Date: 100%
- (vii) Term of operation: From 26 September 2002 to 25 September 2013
- (viii) Scope of business: Production of precision bearing and ancillary fine metal products and sale of self-manufactured products

(c) *KFM-Shenzhen*

- (i) Name of the enterprise: 金德鑫科技（深圳）有限公司 (Kingdom Technology (Shenzhen) Co., Ltd.*)
- (ii) Economic nature: Limited liability company (wholly owned by Taiwan, Hong Kong or Macau corporation (台港澳法人獨資))
- (iii) Registered owner: KFM-HK
- (iv) Total investment: US\$7,500,000
- (v) Registered capital: US\$7,000,000
- (vi) Attributable interest to our Group as at the Latest Practicable Date: 100%
- (vii) Term of operation: From 6 April 2011 to 6 April 2031
- (viii) Scope of business: Production and operation of metal parts, semi-finished case (including mold making (模具製作), cutting (開料), stamping (沖壓), cleaning (清洗) and assembly process (組裝工序), production to be operated by branch company) and sale of self-produced products

(d) KPP-Suzhou

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| (i) Name of the enterprise: | 金德精密配件（蘇州）有限公司 (Kingdom Precision Product (Suzhou) Co., Ltd.) |
| (ii) Economic nature: | Limited liability company (wholly owned by Taiwan, Hong Kong or Macau corporation (台港澳法人獨資)) |
| (iii) Registered owner: | KPP-HK |
| (iv) Total investment: | US\$99,000,000 |
| (v) Registered capital: | US\$33,400,000 |
| (vi) Attributable interest to our Group as at the Latest Practicable Date: | 100% |
| (vii) Term of operation: | From 29 April 2002 to 28 April 2022 |
| (viii) Scope of business: | Research and development, design, production of precision punching tools, non-metal production tools, mass spectograph, liquid chromatograph and other chemical analysis and testing precision apparatus and parts, new electronic precision ancillaries and related products (which do not involve the restricted and prohibited items under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄)), sale of self-manufactured products, provision of related after-sales technical services and provision of spraying (non-dangerous products) services |

7. Repurchase by our Company of its own securities

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

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the sole Shareholder on 22 September 2012, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by us may be made out of our profits, our share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of our Shares to be repurchased must be provided for out of either or both of our profits or from our share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. 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 our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or any subsidiaries of our Company.

Our 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.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under Part XI of the Companies Ordinance

Our Company has established its head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at Block A3, 10/F., Yee Lim Industrial Centre, 2-28 Kwai Lok Street, Kwai Chung, New Territories, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Peter Sun of Flat E, 7th Floor, Repulse Bay Towers, 119A Repulse Bay Road, Repulse Bay, Hong Kong, our chairman and executive Director, and Mr. Kwok For Chi of Room 2430, King Tao House, King Lam Estate, Junk Bay, New Territories, Hong Kong, have been appointed as agents of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

9. Summary of material contracts

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

- (a) the BDT Sale and Purchase Agreement;
- (b) the BDT Guarantee Agreement;
- (c) a share purchase agreement dated 13 September 2012 and entered into by, among other parties, Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen, Mr. Yung Ching Tak, Mr. Banson Lam, Mr. Chan Lin On, Mr. Yeung Man Chiu and Mr. Alan Suen (the “**Vendors**”) as vendors and warrantors and our Company as purchaser, pursuant to which our Company acquired the entire issued share capital in KFM-BVI, in consideration of and in exchange for which our Company, at the direction of the Vendors, (i) allotted and issued, credited as fully paid, 999,999 Shares to KIG; and (ii) credited as fully paid at par the one nil-paid Share then held by KIG;
- (d) the Deed of Indemnity dated 22 September 2012 executed by Kingdom International Group Limited, Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen, Mr. Yung Ching Tak, Mr. Banson Lam, Mr. Chan Lin On and Mr. Yeung Man Chiu in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities more particularly referred to in the paragraph headed “16. Estate duty, tax and other indemnities” of this Appendix;

- (e) the Innotech Deed of Non-Competition, further details of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus;
- (f) the Controlling Shareholders Deed of Non-Competition, further details of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus; and
- (g) the Hong Kong Underwriting Agreement.

10. Intellectual property rights of our Group

We rely on a combination of patents, trademarks and contractual rights to protect our intellectual property rights. As of the Latest Practicable Date, we owned 33 registered invention patents, design patent and utility model patents and 7 registered trademarks in the PRC and Hong Kong. We also have 11 patents and 71 trademark applications pending approval for registration in the PRC and Hong Kong. Our intellectual properties include trade names, domain names, logos, design, machineries and manufacturing techniques.

Trademarks

As at the Latest Practicable Date, applications had been made by our Group for the registration of, among others, the following trademark:

No.	Trademark	Applicant	Territory applied for	Application number	Application date
1.		KFM-HK	Hong Kong	302055438	12 October 2011

Patents

As at the Latest Practicable Date, our Group had the right to use, among others, the following patents which are the major intellectual properties used in our business operations:

No.	Name of the patent	Registered owner	Place of registration	Type	Registration number	Duration of validity
1.	多頭拉釘機 (Multi-head riveter*)	KFM-Shenzhen (Note)	PRC	Utility Model	ZL200820091640.8	15 January 2008 to 15 January 2018
2.	數控彎板機靠模定位器 (Computerised numerical control bending machine tool locator*)	KFM-Shenzhen (Note)	PRC	Utility Model	ZL200920130622.0	10 April 2009 to 10 April 2019
3.	超薄精密齒形沖壓成型方法 (Ultra thin investment casting impact briquetting method*)	KPP-Suzhou	PRC	Invention	ZL200710302583.3	27 December 2007 to 27 December 2027
4.	多點重複工步監控計數器 (Multipoint process monitoring counter*)	KPP-Suzhou	PRC	Invention	ZL200710191899.X	19 December 2007 to 19 December 2027

Note: These patents were registered in the name of KFM-Shenzhen Factory. On 1 August 2011, KFM-Shenzhen Factory entered into a patent transfer agreement to transfer such patents to KFM-Shenzhen. These patents have been officially recorded with the State Intellectual Property Office to have been assigned to KFM-Shenzhen.

The following table sets out the brief descriptions of their nature and usage.

Patents	Nature and usage	Main industry segments served
1 Ultra thin investment casting impact briquetting method (超薄精密齒形沖壓成型方法)	It is a method for shaping ultra-thin and precise tooth profiles through stamping. It is used for the production of static electricity removers in office automation products such as photocopiers and printers.	office automation
2 Multi-head riveter (多頭拉釘機)	It is a riveting machine integrated with pneumatic, hydraulic, electronic and mechanical technology. It can rivet 54 pieces of rivets on 5 surfaces (namely, bottom surface, left, right, front and rear side surfaces) at one time. It is used for product assembly.	office automation
3 Computerised numerical control bending machine tool locator (數控彎板機靠模定位器)	It is a tool sensor of computerised numerical control bending machine. The tool sensor comprises a conductive contact, a programming device, a knife-position inducer, a display and a switch circuit. It is applied in our stamping process.	network/data storage, medical and test equipment, consumer electronics, and office automation
4 Multipoint process monitoring counter (多點重複工步監控計數器)	It is a counter used in production and quality control, especially in monitoring repeated process in production. It is used in the stamping process.	medical and test equipment, finance equipment, and office automation

11. Connected transactions and related party transactions

Save as disclosed in the section headed “Continuing connected transactions” of this prospectus and in note 30 to the Accountant’s Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Group has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**12. Directors****(a) Disclosure of interests of Directors**

- (i) Save for Mr. Peter Sun, Mr. David Wong and Mr. Banson Lam, none of our Directors is interested in the Reorganisation.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors’ service contracts*Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for a term of three years commencing from 22 September 2012 until terminated by not less than three months’ notice in writing served by either party. After the expiry of the current term, our executive Director may continue to be appointed by the Company, subject to terms and conditions to be agreed between the parties.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment after 31 December 2013 at the discretion of our Directors of not more than 10% of the annual salary immediately prior to such increase). In addition, each of our executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company shall

not exceed 5% of the audited combined or, as the case may be, consolidated net profit of our Group (after taxation and minority interests and payment of such bonus but before extraordinary or exceptional items) for that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salary of our executive Directors are as follows:

Name	Annual salary (HK\$)
Mr. Peter Sun	3,900,000
Mr. David Wong	300,000
Mr. Banson Lam	1,500,000
Mrs. Chow Suen Christina	1,320,000

Independent non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of two years commencing from 22 September 2012 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either our independent non-executive Director or our Company expiring at the end of the initial term or at any time thereafter. Each of our independent non-executive Directors is entitled to a director's fee of HK\$200,000 per annum. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Remuneration of Directors*

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the financial year ended 31 March 2012 was approximately HK\$4,082,000.

- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including independent non-executive Directors) for the year ending 31 March 2013, are expected to be approximately HK\$5.95 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 March 2012 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2012.
- (d) *Interests and short positions of our Directors in our Shares, underlying Shares or debentures of our Company and its associated corporations following the Global Offering***

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors in our Shares, underlying Shares or debentures of our Company and the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities <i>(Note 1)</i>	Interest in underlying shares of share options <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Peter Sun	Company	Interest of controlled corporation/Interests of Concert Party <i>(Notes 3)</i>	450,000,000 Shares (L) <i>(Note 2)</i>	–	75%

Name of Director	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Interest in underlying shares of share options (Note 1)	Approximate percentage of shareholding
Mr. David Wong	Company	Interest of Concert Party (Note 3)	450,000,000 Shares (L) (Note 2)	–	75%
Mr. Banson Lam	Company	Interest of Concert Party (Note 3)	450,000,000 Shares (L) (Note 2)	–	75%
Mr. Peter Sun	KIG	Beneficial owner	4,670 shares (Note 4)	–	46.70%
Mr. David Wong	KIG	Beneficial owner	1,369 shares	–	13.69%
Mr. Banson Lam	KIG	Beneficial owner	617 shares	–	6.17%

Notes:

- The letter “L” denotes our Directors’ long position in the shares of our Company or the relevant associated corporation.
- These Shares were held by KIG, which is owned as to 46.70% by Mr. Peter Sun, among the 4,670 shares (representing 46.70% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 220 shares (representing 2.20% of the total issued share capital of KIG) were held by him as trustee on trust for the share award plan of KIG, as to 13.69% by Mr. David Wong, as to 13.69% by Mr. Yau Lam Chuen, as to 9.12% by Mr. Yung Ching Tak, as to 6.17% by Mr. Banson Lam, as to 6.17% by Mr. Chan Lin On and as to 3.09% by Mr. Yeung Man Chiu.
- Pursuant to the confirmation of concert party arrangement dated 26 September 2011 entered into by Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen, Mr. Yung Ching Tak, Mr. Banson Lam, Mr. Chan Lin On and Mr. Yeung Man Chiu, they have confirmed that they are parties acting in concert in the operation and management of KPP-HK, KPP-Suzhou, KRP-HK, KRP-Shenzhen, KRP-Shanghai, KFM-HK and KFM-Shenzhen since 13 March 2002, being the date of incorporation of KPP-HK. Accordingly, each person under the concert party arrangement is taken to be interested in the Shares the other party under such concert party arrangement under the SFO.
- Among the 4,670 shares (representing 46.70% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 220 shares (representing 2.20% of the total issued share capital of KIG) were held by him as trustee on trust for the share award plan of KIG.

(e) Awards and appointments of Mr. Peter Sun

Set out below is the table with the appointments and awards of Mr. Peter Sun:

(i) Honours and awards

No.	Name of awards	Awarding organisation	Year
1.	The Outstanding Service Award	The Hong Kong Life Saving Society	2010-2011
2.	The Long Service Medal	The Hong Kong Life Saving Society	2010-2011
3.	Medal of Honour	Government of the Hong Kong Administrative Region	2006
4.	Associateship of the Professional Validation Council of Hong Kong Industries (Metal Industry)	The Professional Validation Council of Hong Kong Industries	2002
5.	The Bauhinia Cup Outstanding Entrepreneur Award	The Hong Kong Polytechnic University	2002
6.	Honorary Professor of the College of Engineering and Technology of Shenzhen University	College of Engineering and Technology, Shenzhen University	2002
7.	Directors of the Year Awards 2001	The Hong Kong Institute of Directors	2001

No.	Name of awards	Awarding organisation	Year
8.	優秀青年企業家 (Shenzhen Excellent Young Entrepreneurs)	共青團深圳市委員會 (Communist Youth Shenzhen Committee), 深圳市青年企業家聯合會 (Shenzhen Young Entrepreneurs' Joint Association), 深圳市青年聯合會 (Shenzhen Youth Joint Association), 深圳特區報社 (Shenzhen Special Zone Press Office) and 深圳電視台 (Shenzhen Television)	2001
9.	Young Industrialist Awards of Hongkong 1999	Federation of Hong Kong Industries	1999

(ii) *Appointments in the PRC*

No.	Name of board/committee	Post	Period/Year of appointment
1.	Shenzhen Nanshan Foreign Enterprise's Chamber of Commerce (深圳市南山區僑商會)	President	2012 – Present
2.	Shenzhen Nanshan District Standing Committee of the Chinese People's Political Consultative Conference (“CPPCC”) (政協深圳市南山區委員會)	Committee member/ Standing committee member	2006 – Present/ 2006 – Present
3.	Shenzhen Association of Enterprises with Foreign Investment (深圳外商投資企業協會)	Vice Chairman	2005 – Present

No.	Name of board/committee	Post	Period/Year of appointment
4.	Anhui Provincial Committee of CPPCC (中國人民政治協商會議 安徽省委員會)	Committee member	2003 – Present

(iii) *Current appointments in Hong Kong*

No.	Name of Board/Committee	Post	Period
1.	Hong Kong Young Industrialists Council Foundation Limited	Director and Committee Member	2012 – Present
2.	Hong Kong Police Basketball Club	Honorary Vice-President	2009 – Present
3.	Vetting Committee for the Professional Services Development Assistance Scheme	Committee member	2008 – Present
4.	Kwun Tong District Fire Safety Ambassador Honorary President Association	Honorary President	2008 – Present
5.	Sau Mau Ping District Junior Police Call Honorary President Association	Vice Chairman	2007 – Present
6.	Sau Mau Ping District Junior Police Call	Honorary President	2001 – Present

(iv) Services in social and commercial organisations

No.	Name of Board/Committee	Post	Period/Year of Appointment
1.	Yan Chai Hospital	Current Advisor	2012 – 2013
2.	Ten Percent Donation Scheme Foundation	Chairman	2011 – Present
3.	St. John Ambulance Brigade Hong Kong	Divisional President/Divisional Vice President	2010 – Present/ 2008 – 2010
4.	Hong Kong Blind Sports Federation Limited	Chairman	2008 – Present
5.	The Hong Kong Life Saving Society	Honorary Advisor	2007 – Present
6.	Friends of Hong Kong Association Ltd.	Permanent Honorary President	2007 – Present
7.	Automotive Parts and Accessory Systems R&D Centre Limited	Director	2006 – Present
8.	Hong Kong Nantau Clansman General Association (香港南頭鄉親總會)	Honorary President	2006 – Present
9.	Hong Kong CPPCC (Provincial) Members Association Limited (港區省級政協委員聯誼會有限公司)	Member	2006
10.	Wong Tai Sin District Life Saving Society	President (Presidential Council)/Honorary President	2005 – Present/ 2001 – 2004

(v) Past service in boards/committees/councils/membership

No.	Name of board/committee	Post	Period/Year of Appointment
1.	Hong Kong Small and Medium Enterprises Association	Vice-President	2008 – 2010
2.	Sha Tin North District Scout Council of Scout Association of Hong Kong	President	2008
3.	Kwun Tong District Fight Crime Committee	Committee member	2007 – 2011
4.	Metals Training Board of the Vocational Training Council	Member	2007 – 2009
5.	Industry Networking Advisory Committee of the Vocational Training Council	Member	2006 – 2011
6.	Shenzhen Nanshan Foreign Enterprise's Chamber of Commerce (深圳市南山區僑商會)	Vice-President	2005 – 2012
7.	Metalware, Plastics, Shipbuilding and Ship-repairing Industry Safety and Health Committee of the Occupational Safety & Health Council	Vice Chairman	2004 – 2010
8.	The Hong Kong Institute of Directors	Fellow/Member	2003/ 2002
9.	Consumer Council	Member	2002 – 2007

No.	Name of board/committee	Post	Period/Year of Appointment
10.	Publicity & Community Relations Committee of Consumer Council	Member	2002 – 2007
11.	Research & Testing Committee of Consumer Council	Member	2002 – 2007
12.	Federation of Hong Kong Industries	General committee member	2001 – 2011
13.	Group 7 (Fabricated metal products and iron, steel and non-ferrous metal basic industries and machinery) of Federation of Hong Kong Industries	Chairman and general committee member	2001 – 2009
14.	Hong Kong Young Industrialists Council	Executive committee member	2001 – 2004
15.	Metalware & Plastic Industry Safety and Health Committee of the Occupational Safety & Health Council	Member	2001 – 2004
16.	Small and Medium Enterprises Committee	Committee member	2000 – 2006
17.	The Hong Kong Metals Manufacturers Association	Vice Chairman	2000 – 2004

For further details of Mr. Sun's biography, please refer to the section headed "Directors, Senior Management and Staff" in this Prospectus.

13. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors in our Shares, underlying Shares or debentures of our Company and its associated corporations following the Global Offering” above, the following persons will have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of our Shares:

Name of Shareholder	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
KIG	Company	Beneficial owner	450,000,000 Shares (L)	75%
Ms. Kwok Wing Yi <i>(Note 2)</i>	Company	Interest of spouse	450,000,000 Shares (L)	75%
Ms. Mak Kam Fung <i>(Note 3)</i>	Company	Interest of spouse	450,000,000 Shares (L)	75%
Ms. Lo Ka Wai <i>(Note 4)</i>	Company	Interest of spouse	450,000,000 Shares (L)	75%
Mr. Yau Lam Chuen	Company	Interest of Concert Party <i>(Note 6)</i>	450,000,000 Shares (L) <i>(Note 5)</i>	75%
Ms. Tsang Mo Jan <i>(Note 7)</i>	Company	Interest of spouse	450,000,000 Shares (L)	75%
Mr. Yung Ching Tak	Company	Interest of Concert Party <i>(Note 6)</i>	450,000,000 Shares (L) <i>(Note 5)</i>	75%
Ms. Wen Shi Fang <i>(Note 8)</i>	Company	Interest of spouse	450,000,000 Shares (L)	75%

Name of Shareholder	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Chan Lin On	Company	Interest of Concert Party (Note 6)	450,000,000 Shares (L) (Note 5)	75%
Ms. Pang Sau Ying (Note 9)	Company	Interest of spouse	450,000,000 Shares (L)	75%
Mr. Yeung Man Chiu	Company	Interest of Concert Party (Note 6)	450,000,000 Shares (L) (Note 5)	75%
Ms. Wan Wing Sze (Note 10)	Company	Interest of spouse	450,000,000 Shares (L)	75%

Notes:

- The letter "L" denotes the corporation/person's long position in our Shares.
- Ms. Kwok Wing Yi is the spouse of Mr. Peter Sun.
- Ms. Mak Kam Fung is the spouse of Mr. David Wong.
- Ms. Lo Ka Wai is the spouse of Mr. Banson Lam.
- These Shares were held by KIG, which is owned as to 46.70% by Mr. Peter Sun, among the 4,670 shares (representing 46.70% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 220 shares (representing 2.20% of the total issued share capital of KIG) were held by him as trustee on trust for the share award plan of KIG, as to 13.69% by Mr. David Wong, as to 13.69% by Mr. Yau Lam Chuen, as to 9.12% by Mr. Yung Ching Tak, as to 6.17% by Mr. Banson Lam, as to 6.17% by Mr. Chan Lin On and as to 3.09% by Mr. Yeung Man Chiu.
- Pursuant to the confirmation of concert party arrangement dated 26 September 2011 entered into by Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen, Mr. Yung Ching Tak, Mr. Banson Lam, Mr. Chan Lin On and Mr. Yeung Man Chiu, they have confirmed that they are parties acting in concert in the operation and management of KPP-HK, KPP-Suzhou, KRP-HK, KRP-Shenzhen, KRP-Shanghai, KFM-HK and KFM-Shenzhen since 13 March 2002, being the date of incorporation of KPP-HK. Accordingly, each person under the concert party arrangement is taken to be interested in the Shares the other party under such concert party arrangement is interested under the SFO.
- Ms. Tsang Mo Jan is the spouse of Mr. Yau Lam Chuen.
- Ms. Wen Shi Fang is the spouse of Mr. Yung Ching Tak.
- Ms. Pang Sau Ying is the spouse of Mr. Chan Lin On.
- Ms. Wan Wing Sze is the spouse of Mr. Yeung Man Chiu.

14. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be 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 our Company or any other member of our Group;
- (b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once our Shares are listed;
- (c) none of our Directors nor any of the parties listed in paragraph 22 has been interested in the promotion of, or has any direct or indirect interest 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 our Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in paragraph 22 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in paragraph 22 below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

15. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the sole Shareholder on 22 September 2012:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Company so as to bring about an increased market price of our Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full time or part time including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries or any entity (the “**Invested Entity**”) in which any member of our Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of its subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above classes of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time. No options may be granted under the Share Option Scheme or any other option scheme adopted by our Group if the grant of such option will result in the limit referred to in paragraph (aa) being exceeded.
- (bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of our Shares in issue on the Listing Date (the “**General Scheme Limit**”).

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of our Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to our Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a general description of the specified participants, the number and terms of 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 such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by our Shareholders in general meeting of our Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted must be fixed before Shareholders' approval and the date of the Board meeting for 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 Rules.

(v) *Grant of options to connected persons*

- (aa) Any maker of an offer for the grant of options under the Share Option Scheme to any Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of an option).
- (bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of our Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of our Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by our Shareholders in general meeting. Our Company must send a circular to our Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to any grantee who is a substantial shareholder or an independent non-executive Director, or any of their respective associates must be approved by our Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option must be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(viii) Subscription price for our Shares and consideration for the option

The subscription price for any option to subscribe for our Shares under the Share Option Scheme shall be at the discretion of our Directors, but shall not be less than the highest of (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

(ix) Ranking of our Shares

(aa) Our Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no offer for grant of option may be granted.

Our Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and shall not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination, which will be taken to be the last day on which the grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full-time or part-time employee, including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and in the event of his ceasing to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine or, if any of the events referred to in sub-paragraph (xvi) or (xvii) occur during such period.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and any member of our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of any member of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraphs (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all Shareholders, or all such holders other than the offeror and/or any person

controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee our Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of our Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of our Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant

provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable, such corresponding alterations (if any) certified by the auditor for the time being or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital for which he would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment; (ii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iv) any adjustment shall be made in compliance with the Listing Rules and such applicable rules, codes, guidance notes and/or interpretation of the Listing Rules from time to time including the supplementary guidance on the Listing Rules 17.03(13) on adjustments to the exercise price and number of share options issued by the Stock Exchange on 5 September 2005. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditor or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors. Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by our Shareholders pursuant subparagraphs (iii)(cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall

remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xiii) Lapse of option

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

- (aa) the expiry of the option period in respect of such option; and
- (bb) the expiry of the periods or dates referred to in paragraphs (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xiv) Others

- (aa) The Share Option Scheme is conditional upon the Listing Committee granting the listing of and permission to deal in, such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of any options in accordance with the terms and conditions of the Share Option Scheme.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the prior sanction of a resolution of our Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature of options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in, such number of Shares representing the General Scheme Limit to be issued by our Company pursuant to the exercise of any options in accordance with the terms and conditions of the Share Option Scheme.

(ii) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in our Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

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

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables.

As no option has been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

The terms of the Share Option Scheme shall comply with Chapter 17 of the Listing Rules.

16. Estate duty, tax and other indemnities

Our Controlling Shareholders (together, the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (d) referred to in paragraph 9 above) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited financial statements of any member of our Group for any accounting period up to 31 March 2012;
- (b) to the extent that such taxation or liability for such taxation falling on any of the members of our Group in respect of their accounting periods or any accounting period commencing on or after 31 March 2012 and ended on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 March 2012; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 March 2012 or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective changes in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong

Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

- (d) to the extent that any provision or reserve made for taxation in the audited financial statements of any member of our Group up to 31 March 2012 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, our Controlling Shareholders has also undertaken to us that they will, jointly and severally, indemnify and at all times keep us fully indemnified, on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, fines and of whatever nature suffered or incurred by any of the members of our Group directly or indirectly as a result of and in connection with (i) the title defect in the Xili Leased Properties and the related relocation of the production base; (ii) our failure to duly obtain the relevant certificates or approvals for the construction and operation of KPP-Suzhou and the Branch Factory; (iii) our use of the unlicensed computer software products in the course of our operations in the PRC during the Track Record Period; and (iv) our failure to pay the necessary housing provident fund contributions for our employees.

17. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on the results of operations or financial condition of our Company.

18. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$7,000 and are payable by our Company.

19. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

20. Agency fees or commissions received

The Hong Kong Underwriter shall receive a commission of 3.5% of the aggregate Offer Price of the Hong Kong Public Offer Shares underwritten by the Hong Kong Underwriter, and the International Underwriters are also expected to receive an underwriting commission in respect of the International Placing Shares to be underwritten by the International Underwriters, out of which they shall pay any sub-underwriting commissions.

The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$0.62 (being the mid-point of Offer Price range between HK\$0.55 per Offer Share and HK\$0.68 per Offer Share), are estimated to amount to approximately HK\$35.9 million in total (assuming that the Over-allotment Option is not being exercised).

21. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, being 10% of our Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

22. Qualifications of experts

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

Name	Qualification
DBS Asia Capital Limited	Licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Conyers Dill & Pearman	BVI legal advisers
GFE Law Office	Qualified PRC lawyers
DTZ Debenham Tie Leung Limited	Professional property valuer

23. Consents of experts

Each of DBS Asia Capital Limited, PricewaterhouseCoopers, Conyers Dill & Pearman (Cayman) Limited, Conyers Dill & Pearman, GFE Law Office and DTZ Debenham Tie Leung Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

24. Binding effect

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

25. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending 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 our Company, our Directors or the other parties involved in the Global Offering can 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.

Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of our Shares being sold or transferred.

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

26. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) 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 our Company or any of its subsidiaries;
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of its subsidiaries;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) our Directors confirm that there was material adverse change in the financial or trading position or prospects of our Group since 31 March 2012 (being the date to which the latest audited combined financial statements of our Group were made up). For details, please refer to the paragraph headed “Recent deteriorating financial performance” in the section headed “Financial Information” of this prospectus; and
- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

27. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).