

**FURTHER INFORMATION ABOUT THE COMPANY****1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 14th September, 2001 with an authorised share capital of HK\$200,000,000 divided into 2,000,000,000 ordinary shares of par value HK\$0.10 each. At the time of incorporation, one share was issued to the subscriber to provide the initial capital of the Company. The Company's principal place of business in Hong Kong is 11th Floor, Thyrese House, 16 Pottinger Street, Central, Hong Kong and has been registered in Hong Kong as an overseas company under Part XI of the Companies Ordinance on 3rd October, 2001, Mr. Chan Yan Ming, Michael and Mr. Andrew Nan Sherrill have been appointed as the authorised representatives of the Company for the acceptance of service of process in Hong Kong. As the Company is incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles. Copies of the Memorandum and the Articles, and the Companies Law are available for inspection as described in the section headed "Documents available for inspection" in Appendix IV to this prospectus.

**2. Changes in share capital**

On 17th September, 2001, the subscriber's Share was transferred to Mr. Joel Lazare Hohman and 2,899,999 Shares were allotted and issued credited as fully paid, to Mr. Joel Lazare Hohman and 100,000 Shares were allotted and issued credited as fully paid, to Mr. Chan Yan Ming, Michael for cash. The initial subscriber's Share and the 2,999,999 Shares were issued at a premium to par value, at the issue price of HK\$1.00 per Share.

Assuming that the Share Offer becomes unconditional and the issue of the Offer Shares pursuant to the Share Offer are made, the authorised share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 and the issued share capital will be HK\$10,300,000 divided into 103,000,000 Shares (each of which will be fully paid or credited as fully paid) and 1,897,000,000 Shares will remain unissued. Save as aforesaid, there has been no alteration in the share capital of the Company since its incorporation.

**3. Written resolutions of the Shareholders dated 8th February, 2002**

Pursuant to written resolutions of the Shareholders dated 8th February, 2002, the following resolutions of the Shareholders of the Company were passed pursuant to which, inter alia,

- (i) the Company approved and adopted the new Articles (a summary of which is set out in Appendix II to this prospectus);
- (ii) conditional on the same conditions as set out under the section headed "Structure of the Share Offer" and conditional upon Listing Committee of the Stock Exchange granting the relevant approval for the listing of and permission to deal in the Shares of the Company, issued and to be issued as described in the prospectus:

- (a) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and the over-allotment Shares pursuant hereto; and
  - (b) the Share Option Scheme was approved and the Directors were authorised to implement the same and to allot and issue Shares pursuant to the rules of the Share Option Scheme (the rules of which is summarised in the paragraph headed “Share Option Scheme” in this appendix);
- (iii) a general unconditional mandate was granted to the Directors to allot, issue and deal with (other than by way of rights issues) Shares with an aggregate nominal value not exceeding the sum of:
- (a) 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein; and
  - (b) the aggregate nominal amount of the share capital of the Company repurchased pursuant to the authority granted to the Directors referred to in sub-paragraph (iv) below.
- (iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed (and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose) Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein.

*Each of the general mandates referred to in paragraphs (iii) and (iv) above will expire (a) at the conclusion of the next annual general meeting of the Company; (b) at the end of the period within which the next annual general meeting of the Company is required to be held by the Memorandum and Articles; or (c) when revoked or varied by ordinary resolution of the shareholders in general meeting of the Company, whichever is the earliest.*

- (v) subject to the passing of (iv) above, the general unconditional mandate granted in (iii) above was extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or conditionally or unconditionally agreed to be allotted by the Directors pursuant to the general unconditional mandate granted in (iii) above of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to the repurchase mandate granted in (iv) above provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company immediately following the Share Offer.

#### 4. Subsidiaries

As at the Latest Practicable Date, the Company does not have any subsidiaries.

## 5. General meeting

Commencing from 2002, the Company shall hold an annual general meeting in each year at a place and time determined by the Directors. Notices of such meetings and of all other meetings of members will be given in writing to members at their registered addresses at least 21 days prior to any meeting. All notices of meetings will specify the time, place and general nature of the business of the meeting.

## 6. The Investment Management Agreement

- (a) Pursuant to the Investment Management Agreement dated 18th February, 2002 between the Company and the Investment Manager, the Investment Manager has agreed to provide the Company with investment management services as set out in the paragraph headed “Investment management” under the section headed “Investment management” on the terms and conditions set out therein.
- (b) The Investment Manager shall receive the fees as set out in the paragraph headed “Fees and expenses” under the section headed “Investment management”.
- (c) The Investment Management Agreement is conditional upon (i) the Listing Committee granting the listing of and permission to deal in the Shares in issue, the Offer Shares and the Shares which may be issued pursuant to the exercise of the Over-allotment Option and options granted under the Share Option Scheme; and (ii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms; and (iii) the registration of the Investment Manager as an investment adviser under the Securities Ordinance within 12 months commencing from the date of commencement of trading of the Shares on the Stock Exchange.
- (d) The Investment Management Agreement is for an initial term of three years commencing on the date immediately after the expiration of the term of the Interim Investment Management Agreement and is, subject to the approval of the independent Shareholders, to continue for successive periods of three years each unless terminated at any time by either the Company or the Investment Manager, by serving not less than six months’ notice in writing to the other party to expire on the last day of the three years period or to expire on the last day of the successive period. The Company shall be entitled to terminate the appointment at any time without compensation to the Investment Manager by giving written notice to the Investment Manager if the Investment Manager is grossly negligent or guilty of wilful misconduct in relation to its obligations under the Investment Management Agreement or in its business acting as investment manager for other entities generally or the Investment Manager ceases to be registered as an investment adviser in Hong Kong. In addition, each party may terminate the Investment Management Agreement with immediate effect at any time by written notice to the other party if one of the parties goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation on terms previously agreed by the parties), or if a receiver is appointed of the whole or any substantial part of the assets or undertaking of the other party or if the other party commits a material breach of the Investment Management Agreement which is not remedied within 28 days from the date of a written request requiring that the breach be remedied.

- (e) The Investment Management Agreement contains provisions exempting the Investment Manager against any liability in the course of or in connection with the performance of its obligations and duties under the Investment Management Agreement except in cases of negligence, bad faith, fraud or wilful default on the part of the Investment Manager.

## **7. The Interim Investment Management Agreement**

Pursuant to the Interim Investment Management Agreement, the Interim Investment Manager has agreed to provide the Company with interim investment management services for the period commencing from the date of the commencement of the trading of the Shares on the Stock Exchange for an initial term of six months (subject to an extension of successive periods of 3 months each in case the Investment Manager fails to obtain approval of registration as an investment adviser under the Securities Ordinance). The Interim Investment Management Agreement will lapse in the event that the Investment Manager fails to obtain approval of registration as an investment adviser under the Securities Ordinance within 12 months from the date of the commencement of the trading of the Shares on the Stock Exchange.

## **8. The Custodian Agreement**

- (a) Pursuant to the Custodian Agreement, the Custodian will act as custodian of the assets of the Company including cash.
- (b) The Custodian will be paid the fees described in the paragraph headed “Fees and expenses” under the section headed “Investment management”.
- (c) The Custodian Agreement is terminable by either the Company or the Custodian giving not less than 90 days’ written notice to the other party expiring at any time. However, each party may terminate the Custodian Agreement at any time by written notice with immediate or subsequent effect if either party goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation on terms previously approved in writing by the other party), or is unable to pay its debts or otherwise becomes insolvent, or if a receiver is appointed to any of the assets of such other party or if either party is in breach of any material terms of the Custodian Agreement without remedying such breach within 60 days after service of notice.
- (d) the Custodian shall not be liable to the Company, the Company’s customers, the Interim Investment Manager, the Investment Manager, or to any Shareholders or to any shareholders of the Interim Investment Manager and of the Investment Manager for any act or omission in the course of or in connection with the provision of services by the Custodian under the Custodian Agreement except in cases of its negligence or wilful breach of duty on the part of the Custodian.

## 9. Repurchase by the Company of its own Shares

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

### (a) The Listing Rules

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

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

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

*Note:* As mentioned in the section headed "Written resolutions of the Shareholders dated 8th February, 2002" in this appendix, a general unconditional mandate (the "buyback mandate") was given to the Directors authorizing repurchase by the Company on the Stock Exchange of up to 10% of the aggregate nominal amount of the fully-paid share capital of the Company immediately following the Share Offer. This mandate may be exercised at any time until the earliest of (i) 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 law or the Articles to be held, and (iii) until revoked or varied by ordinary resolution of the Shareholders in general meeting.

#### (ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and Cayman Islands law.

#### (iii) *Trading restrictions*

A maximum of 10% of the existing share capital or other securities at the date of the resolution authorizing the repurchase may be repurchased on the Stock Exchange. A company shall not issue new securities or announce a proposed issue of securities for a period of 30 days immediately following a share repurchase (other than an issue of shares pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue shares which are outstanding prior to such repurchase). In addition, all shares repurchases on the Stock Exchange in any given calendar month are limited to a maximum of 25% of the trading volume of the company's relevant securities in the immediately preceding calendar month. A company is also prohibited from making shares repurchases on the Stock Exchange if the repurchase would result in the number of listed shares of the company which are in the hands of the public falling below the relevant prescribed minimum percentage for that company as required by the Stock Exchange.

(iv) *Status of repurchased shares*

All repurchased shares are automatically delisted and the certificates for the shares must be cancelled and destroyed. Under Cayman Islands laws, any shares repurchased shall be treated as cancelled on repurchase and the amount of the company's issued share capital shall be diminished by the nominal value of those shares accordingly; but the repurchase of shares is not to be taken as reducing the authorized share capital of the company.

(v) *Suspension of repurchases*

Any share repurchase programme is required to be suspended after a price sensitive development has occurred or if the directors of the company have made a decision in respect of a price sensitive development until the price sensitive information has been publicly announced. In addition, the Stock Exchange reserves the right to suspend a share repurchase programme on the Stock Exchange if a company has breached the Listing Rules.

(vi) *Reporting requirements*

Share repurchases on the Stock Exchange must be reported to the Stock Exchange by not later than 9:30 a.m. on the following business day. In addition, the company's annual report is required to disclose details regarding share repurchases made during the year, including the number of shares repurchased and the aggregate price paid.

(vii) *Connected parties*

A company is prohibited from knowingly purchasing shares on the Stock Exchange from a "connected person" (as defined in the Listing Rules).

(viii) *Working capital*

The Directors are not aware of any material adverse impact on the working capital or gearing position of the Company in the event that any proposed repurchases were to be carried out in full. The Directors do not propose to exercise the repurchase to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

**(b) Exercise of the repurchase mandate**

Exercise in full of the repurchase mandate, on the basis of 103,000,000 Shares in issue immediately after completion of the Share Offer (assuming the Over-allotment Option is not exercised), could result in up to 10,300,000 Shares being repurchased by the Company during the period until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles to be held; and (iii) the passing of an ordinary resolution of the Shareholders revoking or varying the authority given to the Directors.

(c) **Reasons for repurchases**

The Directors believe that it is in the best interests of the Company and its Shareholders that they should have the buyback mandate, thus enabling 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 of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

(d) **Funding of repurchases**

Repurchases of Shares will be funded entirely from the Company's available cash flow or working capital facilities, which will be funds legally available for the repurchase in accordance with the Articles and the Cayman Islands law.

(e) **General**

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

The Company will procure that any broker appointed by the Company to effect the purchase of Shares will disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request.

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

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the general mandate for securities repurchase in accordance with the Listing Rules and the applicable laws of Hong Kong and of the Cayman Islands.

No "connected persons" (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, if the buyback mandate is exercised.

The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the buyback mandate. However, any repurchase of Shares which would result in the number of Shares in the hands of the public falling below the relevant prescribed minimum for the Company, presently being 25% of the Shares then in issue or outstanding, could only be implemented with the agreement of the Stock Exchange to waive the Listing Rules restriction regarding the minimum level of public holdings referred to above.

In addition, if as a result of a repurchase of Shares by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a company of Shareholders acting in concert, could be deemed to have thereby obtained or consolidated control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

## 10. Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the scheme is set out below.

### *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to written resolutions of the Shareholders of the Company passed on 8th February, 2002:

1. **The purpose of the Share Option Scheme** is to provide participants of the scheme (the "Participants") with the opportunity to acquire proprietary interests in the Company and to encourage the Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.
2. **Participants:**
  - (a) any full-time employee, director (including non-executive director and independent non-executive director) and part time employee with weekly working hours of 15 hours and above of the Company or of any of its subsidiaries;
  - (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and
  - (c) any adviser, consultant, agent or business affiliates who, at the sole determination of the board of Directors, has contributed to the Company, the assessment criterion of which are:
    - (i) such person's contribution to the development and performance of the Company;
    - (ii) the quality of work performed by such person for the Company;
    - (iii) the initiative and commitment of such person in performing his or her duties; and
    - (iv) the length of service or contribution of such person to the Company.

**3. Maximum number of Shares which may be issued**

- (a) 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 share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or any of its subsidiaries) in issue from time to time. No option may be granted under any schemes of the Company (or any of its subsidiaries) if this will result in such limit being exceeded.
- (b) The total number of Shares which may be 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 the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue upon completion of the Share Offer (“General Scheme Limit”). Assuming that the Over-allotment Option is not exercised at all, the General Scheme Limit will amount to 10,300,000 Shares upon completion of the Share Offer. Assuming that the Over-allotment Option is exercised is full, the General Scheme Limit will be increased to 11,800,000 Shares.
- (c) Subject to (a) above and without prejudice to (d) below, the Company may, after issuing a circular to its Shareholders, seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, the Company may issue a circular to its Shareholders and seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (c) above to Participants specifically identified by the Company before such approval is sought.

4. **Maximum number of Shares to each Participant:** Unless approved by Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and unexercised options) under the Share Option Scheme or any other share option scheme adopted by the Company in any 12 month period must not exceed 1% of the Shares in issue.
5. **Options granted to connected persons:** Where options are proposed to be granted to a director, chief executive and a substantial shareholder (as defined in the Listing Rules) or an independent non-executive director for the time being of the Company or any of their respective associates, and the proposed grant of options, when aggregated with the options

already granted to that person in the past twelve (12) months, would entitle him/her to receive the higher of 0.1% of the total number of the issued Shares for the time being and having an aggregate value, based on the closing price of the issued Shares as at the date of each grant, in excess of HK\$5,000,000, then the proposed grant of options shall be subject to the prior approval of shareholders of the Company in a general meeting in which all connected persons for the time being of the Company (if any) shall abstain from voting in such general meeting.

#### 6. Option period

- (a) The period within which the options must be exercised will be specified by the Company at the time of grant. This period will be not less than 3 years and must expire no later than 10 years from the date of grant of the options.
- (b) In the event the Participant, if an employee, ceases to be an employee of the Company for any reason other than on his/her death or the termination of his/her employment on one or more of the grounds specified in paragraph 11(g) below, the options shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the options shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment shall be the last actual working day on which the Participant was physically at work with the Company or the relevant subsidiary, whether salary is paid in lieu of notice or not.
- (c) In the event the Participant, if an employee of the Company, dies before exercising the options in full and none of the events which would be a ground for termination of his or her employment under paragraph 11(g) below then exists, the personal representative(s) of the Participant shall be entitled within a period of 12 months from the date of death to exercise the options up to the entitlement of such Participant as at the date of death.
- (d) If a general offer by way of takeover (other than by way of scheme of arrangement pursuant to paragraph (e) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant options, the Company shall forthwith give notice thereof to the Participant and the Participant shall be entitled to exercise the options either to their full extent or to the extent notified by the Company at any time within such period as shall be notified by the Company.
- (e) If a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Participant and the Participant may at any time thereafter (but before such time as shall be notified by the Company) exercise the options either to their full extent or to the extent notified by the Company.

- (f) In the event a notice is given by the Company to its Shareholders to convene a Shareholders' 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 Participant and the Participant may at any time thereafter (but before such time as shall be notified by the Company) exercise the options either to their full extent or to the extent notified by the Company, 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 Participant such number of fully paid Shares which fall to be issued on exercise of such options.
- (g) In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (e) 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 Participants on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement and the Participant may at any time thereafter but before such time as shall be notified by the Company exercise the options either to their full extent or to the extent notified by the Company, 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 Participant such number of fully paid Shares which fall to be issued on exercise of such options.
- (h) There is no minimum period for which an option must be held before it can be exercised and no performance targets which must be achieved before the options can be exercised.
7. **The amount payable on acceptance** of options is HK\$1. The offer of the options shall be accepted by the Participants within 7 days of the offer, otherwise the offer will be lapsed.
8. **The subscription price for the Shares** under the Share Option Scheme shall be no less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 Business Days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant. The subscription price will be established by the Board at the time the options are offered to the Participant.
9. **Ranking of Shares:** The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date the name of the option holder is registered on the register of members of the Company. Prior to the option holder being registered on the register of members of the Company, the option holder shall not have any voting rights, or rights to participate in any dividends or distributions of any rights arising on a liquidation of the Company, in respect of the Shares to be issued upon the exercise of the options.

The Shares issued on exercise of the options will on issue be identical to the then existing issued Shares of the Company.

10. **No options may be granted** under the Share Option Scheme after the date of the 10th anniversary of the adoption of the Share Option Scheme.
11. **An option shall lapse automatically** and not be exercisable, to the extent not already exercised, on the earliest of:
  - (a) the expiry of the option period;
  - (b) the expiry of the period for exercising the option as referred to in paragraphs 6(b), (c), (f) and (g) above;
  - (c) subject to the High Court of Hong Kong not making an order the effect of which is to prohibit the offeror acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph 6(d) above;
  - (d) subject to the scheme of arrangement (referred to in paragraph 6(e) above) becoming effective, the expiry of the period for exercising the option as referred to in paragraph 6(e) above;
  - (e) subject to paragraph 6(f) above, the date of commencement of the winding up of the Company;
  - (f) the date on which the Participant sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any other person, over or in relation to any option in breach of the Share Option Scheme;
  - (g) the date on which the Participant, if an employee, ceases to be employee of the Company by reason of the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily; or
  - (h) unless the Board otherwise determines, the date the Participant, if an employee, ceases to be an employee of the Company by any other reason.

12. **In the event of any alteration in the capital structure of the Company** whilst any option remains exercisable by way of capitalization of profits or reserves, rights issue, consolidation, or subdivision or reduction of capital, the auditors of the Company shall determine what adjustment is required to the subscription price or the number of Shares to be issued on exercise of the options provided that any such adjustments give the Participant the same proportion of the equity capital of the Company.
13. **Any cancellation of options granted but not exercised** and the issuance of new options to the same Participant may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) and in compliance with the terms of the Share Option Scheme, in particular within the limit approved by the Shareholders and, subject to the maximum number of Shares available for subscription referred to in paragraph 3 above.
14. **Termination:** The Company by ordinary resolution of Shareholders, or the Board, may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered or granted. Any unexercised options shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.
15. **Transferability:** The options are not transferable or assignable and will be personal to the grantee.
16. **Specific Terms:** Those specific provisions of this Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules, or any change to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration of the terms, cannot be altered to the advantage of the Participants without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, any change to the authority of the directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the scheme or any change to the terms of options granted, must be in compliance with the relevant requirements of Chapter 17 of the Listing Rules and must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
17. **Redemption:** On exercise of an option by a Participant, the Company may at its sole discretion (which discretion may or may not be exercised on request from a Participant) elect to cancel such exercised option and instead of issuing new Shares to the Participant, pay to the Participant the aggregate of:
  - (a) the subscription price received by the Company from the Participant with the notice of exercise of the option; and

- (b) if the average closing price of the Shares (as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the exercise exceeds the subscription price, an amount equal to such excess multiplied by the number of Shares in respect of which the option was exercised.

Any payment made by the Company pursuant to paragraph (b) above shall be charged to its retained profits or otherwise dealt with in accordance with the generally accepted accounting principles in force at the time of such payment.

18. **Present status of the Share Option Scheme:** The Share Option Scheme is conditional on the Listing Committee granting approval of the scheme and any options which may be granted thereunder and the listing of and permission to deal in the Shares which fall to be issued pursuant to the Share Offer and upon the exercise of options granted under the Share Option Scheme.

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

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

## 11. Restriction on remittance of profits or repatriation of capital

### The PRC

The relevant rules governing exchange control relating to the inflow and outflow of foreign exchange are contained primarily in the Regulations of Foreign Exchange Control (as amended) promulgated on 29th January, 1996 and effected on 1st April, 1996.

In summary, all foreign exchange receipts (from capital injection or sales) must be deposited in the foreign exchange account opened with the designated bank approved to operate foreign exchange business by SAFE. Foreign exchange under current account items (such as dividends and profits) can be remitted abroad upon presentation of necessary documents, including auditor's report, capital verification report, foreign exchange registration certificate and tax certificate as well as other documents required by SAFE. Foreign exchange under capital account items (such as interest and repatriation of capital) may be remitted abroad upon presentation of necessary documents and subject to approval of SAFE.

Currently, foreign investment enterprises may settle, buy and sell foreign currencies through a designated bank operating foreign exchange businesses.

**Taiwan**

A foreign investor may invest in Taiwanese shares through (1) portfolio investments and (2) equity investment. Portfolio investments can be made by qualified foreign institutional investors (“QFII”) and general foreign investors (“GFI”) meeting criteria set forth by the Securities and Futures Commission of Taiwan. Equity investments can be made by foreigner (“FIA Investor”) with the approval from the Investment Commission (“IC”). QFII and GFI are permitted to repatriate capital it invested, any gains and profits earned on investments, at any time. FIA Investor may repatriate annual net profits, interests and cash dividends attributable to an approved investment. Stock dividends, investment capital and capital gains attributable to the investment may be repatriated with the approval of the IC or other governmental authority.

**12. Summary of material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

- (a) the Underwriting Agreement dated 18th February, 2002 between the Underwriters, the Company, the executive Directors, which is summarized in the paragraph headed “Underwriting arrangements and expenses” under the section headed “Underwriting”;
- (b) the Investment Management Agreement dated 18th February, 2002 between the Company and the Investment Manager which is summarized in the paragraph headed “The Investment Management Agreement” in this appendix;
- (c) the Interim Investment Management Agreement dated 18th February, 2002 between the Company and the Interim Investment Manager which is summarized in the paragraph headed “The Interim Investment Management Agreement” in this appendix; and
- (d) the Custodian Agreement dated 18th February, 2002 between the Company, the Interim Investment Manager, the Investment Manager and the Custodian which is summarized in the paragraph headed “The Custodian Agreement” in this appendix.

**13. Further information about the Directors****Disclosure of interests**

- (a) Immediately following completion of the Share Offer (assuming the Over-allotment Option is not exercised), the interests of the Directors in the Shares of the Company and its associated corporations (within the meaning of the SDI Ordinance), which will have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance, including interests which they have taken or deemed to have under Section 31, or Part I of the Schedule to, or which will be required pursuant to section 29 of the SDI

Ordinance, to be entered in the register referred to therein once the Shares are listed or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, will be as follows:

Name of Directors	Number of Shares	Percentage of holdings
Chan Yan Ming, Michael	100,000	0.10%
Joel Lazare Hohman	2,900,000	2.82%

- (b) So far as the Directors are aware immediately following completion of the Share Offer (assuming the Over-allotment Option is not exercised), no persons or entity will be interested in Shares representing 10% or more of the share capital of the Company. Nevertheless, there were only 3,000,000 Shares in issue at the Latest Practicable Date and 100,000,000 new Shares (assuming that the Over-allotment Option is not exercised) will be issued pursuant to the Share Offer, there might be a possibility that an applicant will be allotted 10% of the then issued share capital of the Company. If such circumstances arise, a press notice will be made by the Company.

Save as disclosed herein, the Directors are not aware of any person who will immediately following the Share Offer be directly or indirectly interested in Shares representing 10% or more of the share capital of the Company.

#### **Related party transactions**

The Company did not enter into any related party transactions since its incorporation to the date of this prospectus, save in relation to the tenancy agreement with Kinvick Limited, a company wholly-owned by Mr. Chan Yan Ming, Michael, an executive Director of the Company in respect of the provision of the principal place of business of the Company for a term of 1 year commencing on 1st September, 2001 for a monthly rental of HK\$10,000.

#### **Disclaimers**

- (a) No Director has entered or proposed to enter into any service contract (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) with the Company.
- (b) No remuneration or other benefits in kind have been paid by the Company to any Director since the date of incorporation of the Company, nor are any remuneration or benefits in kind payable by the Company to any Director in respect of the current financial year under any arrangement in force at the date hereof.

- (c) Save as disclosed herein, none of the Directors, the Interim Investment Manager, the Investment Manager, or any associate of any of them is or will become entitled to receive any part of any brokerage charged to the Company, or re-allowance of other types on purchase charged to the Company.
- (d) Save as disclosed herein:
- (i) none of the Directors has or immediately following the Share Offer, will have, and none of them is deemed to have any interests in the Company and its associated corporation (within the meaning of the SDI Ordinance), which will have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under Section 31, or Part I of the Schedule to, the SDI Ordinance) once the Shares are listed, or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein once the Shares are listed or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies;
  - (ii) none of the Directors has any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by, or leased to, the Company; and
  - (iii) no Director 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 Company.

#### 14. Other information

##### (a) Qualifications of experts

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

Name	Qualifications
Dao Heng Securities	Registered investment adviser and registered securities dealer under the Securities Ordinance
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
Ernst & Young	Certified public accountants

##### (b) Estate duty and tax indemnity

The Directors have been advised that no material liability for estate duty under the laws of Hong Kong or the laws of the Cayman Islands is likely to fall on the Company in the Cayman Islands, being the jurisdiction in which the Company is incorporated.

The Company did not enter into any deed of indemnity since its incorporation to the date of this prospectus.

(c) **Sponsor**

Dao Heng Securities has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme. Dao Heng Securities and the Company will ensure that no person will immediately following the Share Offer be directly or indirectly interested in Shares representing 30% or more of the share capital of the Company.

(d) **Minimum subscription**

There is no minimum subscription to be raised under the Share Offer.

(e) **Preliminary expenses**

The Company did not incur any preliminary expenses. Incorporation expenses amounting to approximately US\$2,400, equivalent to approximately HK\$18,720 at the exchange rate of HK\$7.80:US\$1.00, were borne by a shareholder of the Company.

(f) **Promoter**

The Company did not have any promoter.

(g) **Consents of experts**

Ernst & Young has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of the accountants' report in Appendix I to this prospectus. In addition, Dao Heng Securities and Conyers Dill & Pearman, Cayman have given and have not withdrawn their respective written consents to the issue of this prospectus and the reference to their respective names in the form and context in which they are included.

(h) **Material adverse change**

The Directors confirm that since the incorporation of the Company, there has been no material adverse change in the financial or trading position or prospect of the Company.

(i) **Litigation**

The Company has since its incorporation not been engaged in or is currently not engaged in any litigation or arbitration of material importance nor, so far as the Directors are aware, is there any litigation or claim of material importance pending or threatened against the Company.

**(j) General**

- (i) Save as disclosed herein, within two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted by the Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares in or debentures of the Company.
- (ii) No founder, management or deferred shares of the Company have been issued or agreed to be issued.
- (iii) None of the experts, as referred to in the paragraph headed “Qualifications of experts” in this appendix, has a legal or beneficial interest in any Shares or has any rights or options to subscribe for or nominate persons to subscribe for any Shares.
- (iv) Save as disclosed herein, no Share or loan capital of the Company has been issued or agreed to be issued, whether for cash or otherwise, and no such capital of the Company is proposed to be issued or is under option or agreed conditionally or unconditionally to be put under option.
- (v) Save as disclosed herein, there has been no alteration in the share capital of the Company since its incorporation.
- (vi) Mr. Chan Yan Ming, Michael is a director of and has a 25% interest in the Investment Manager. The Investment Manager will receive from the Company the fees and expenses described in the paragraph headed “Fees and expenses” under the section headed “Investment Management”.
- (vii) Mr. Ma Kam Fook, Robert is a director of and has a 37.5% interest in the Investment Manager. The Investment Manager will receive from the Company the fees and expenses described in the paragraph headed “Fees and expenses” under the section headed “Investment Management”.
- (viii) Mr. Andrew Nan Sherrill is a director of and is wholly and beneficially interested in the Interim Investment Manager. The Interim Investment Manager will receive from the Company the fees and expenses described in the paragraph headed “Interim investment management fee” under the section headed “Investment management”.

**(k) Binding effect**

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