

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

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on 20th December, 2001 with an authorised share capital of HK\$300,000 divided into 30,000,000 Shares. On 16th January, 2002, one Share was allotted and issued to Codan Trust Company (Cayman) Limited, nil paid. On the same date, Codan Trust Company (Cayman) Limited transferred the one Share to Mr. Cheung, such Share was subsequently transferred to Harbour Rich on 6th March, 2002 and credited as fully paid as described in paragraph 1(d)(viii) of this Appendix. As the Company was incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution comprises a memorandum and articles of association. A summary of certain relevant parts of the constitution of the Company and relevant aspects of the Companies Law is set forth in Appendix IV to this prospectus.

**(b) Changes in share capital of the Company**

- (i) On 6th March, 2002 an aggregate of 29,999,999 Shares were allotted and issued, nil paid, as to 15,000,000 Shares to Best Aims, 8,999,999 Shares to Harbour Rich and 6,000,000 Shares to Pace Maker which were subsequently credited as fully paid as described in paragraph 1(d)(viii) of this Appendix.
- (ii) Pursuant to a written resolution of the sole Shareholder of the Company passed on 7th March, 2002 the authorised share capital of the Company was increased from HK\$300,000 to HK\$600,000 by the creation of an additional 30,000,000 Shares to rank pari passu with the existing Shares in all respect, all such Shares were allotted and issued, credited as fully paid, as described in paragraph 1(d)(viii) of this Appendix.
- (iii) Immediately following completion of the Share Offer and the Capitalisation Issue, the authorised share capital of the Company will be HK\$10,000,000 divided into 1,000,000,000 Shares of which 180,000,000 Shares will be allotted and issued fully paid or credited as fully paid, and 820,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme and the Shares which may be issued pursuant to the exercise of the Over-allotment Option, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the members in general meeting, no issue of Shares will be made after the completion of the Share Offer and the Capitalisation Issue which would effectively alter the control of the Company.
- (iv) Save as disclosed herein and in paragraphs 1(a) and 1(c) of this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

**(c) Written resolutions of the sole Shareholder passed on 18th March, 2002**

Pursuant to the written resolutions of the sole Shareholder passed on 18th March, 2002:

- (i) the authorised share capital of the Company was increased from HK\$600,000 to HK\$10,000,000 by the creation of an additional 940,000,000 Shares;
- (ii) conditional on (aa) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued by the Company as mentioned in this prospectus; and (bb) the obligations of the Underwriters under the Underwriting and Placing Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s), by the Underwriters) and not being terminated in accordance with the terms of the Underwriting and Placing Agreement or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
  - (A) the Share Offer was approved and the Directors were authorised to allot and issue, subject to the Over-allotment Option and reallocation, the New Shares and to approve the transfer of the Sale Shares pursuant thereto; and
  - (B) conditional further on the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options thereunder to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme; and
  - (C) conditional further on the share premium account of the Company being credited as a result of the New Issue, HK\$840,000 of such amount was directed to be capitalised and applied in paying up in full at par 84,000,000 Shares for allotment and issue to holders of Shares on the register of members of the Company as at 25th March, 2002 (or as they may direct) in proportion as nearly as possible to their then respective shareholdings; and
  - (D) a general unconditional mandate was given to the Directors to allot, issue and deal with additional Shares or securities convertible into Shares in the unissued share capital of the Company, including the entering into any agreements or granting any options to do any of the foregoing, provided that the aggregate nominal amount of the share capital allotted or agreed to be allotted by the Directors pursuant thereto, otherwise than pursuant to a rights issue; or the exercise of any options which may be granted under the Share Option Scheme; or an exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares; or any allotment of Shares in lieu of the whole or part of the dividend on

Shares in accordance with the Articles, shall not exceed the sum of (AA) 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued pursuant to the Share Offer (including any issue of Shares pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue; and (BB) the aggregate nominal amount of the share capital of the Company purchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph 1(c)(ii) (E) of this Appendix, such mandate to expire at the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held or when revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest;

- (E) a general unconditional mandate was given to the Directors authorising them to exercise all the 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, in accordance with all applicable laws and regulations, such number of Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued pursuant to the Share Offer (including any issue of Shares pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, such mandate to expire at the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held or when revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest; and

- (iii) the Company approved and adopted the Articles in substitution for and to the exclusion of the then existing articles of association of the Company.

**(d) Group reorganisation**

The companies comprising the Group underwent a reorganisation to rationalise the structure of the Group in preparation for the listing of the Shares on the Stock Exchange. The reorganisation involved the following:

- (i) On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan transferred five shares, three shares and two shares of US\$1.00 each in Capital Harvest to Best Aims, Harbour Rich and Pace Maker respectively for cash at par.
- (ii) On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan transferred five shares, three shares and two shares of US\$1.00 each in Pro-Capital Investments to Best Aims, Harbour Rich and Pace Maker respectively for cash at par.
- (iii) On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan, transferred five ordinary shares, three ordinary shares and two ordinary shares of HK\$1.00 each in Polonius respectively to Capital Harvest in consideration of, and in exchange

for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Capital Harvest, credited as fully paid, as to five shares to Best Aims, three shares to Harbour Rich and two shares to Pace Maker at the respective directions of Mr. Ip, Mr. Cheung and Mr. Chan.

- (iv) On 7th March, 2002, Best Aims, Harbour Rich and Pace Maker transferred ten shares, six shares and four shares of US\$1.00 each in Capital Harvest respectively to Pro-Capital Investments in consideration of, and in exchange for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Pro-Capital Investments, credited as fully paid, as to five shares to Best Aims, three shares to Harbour Rich and two shares to Pace Maker.
- (v) On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan, transferred 50 ordinary shares, 30 ordinary shares and 20 ordinary shares of HK\$1.00 each in Kenfair International respectively to Pro-Capital Investments in consideration of, and in exchange for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Pro-Capital Investments, credited as fully paid, as to five shares to Best Aims, three shares to Harbour Rich and two shares to Pace Maker at the respective directions of Mr. Ip, Mr. Cheung and Mr. Chan.
- (vi) On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan, transferred five ordinary shares, three ordinary shares and two ordinary shares of HK\$1.00 each in Kenfair Publications to Pro-Capital Investments in consideration of, and in exchange for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Pro-Capital Investments, credited as fully paid, as to five shares to Best Aims, three shares to Harbour Rich and two shares to Pace Maker at the respective directions of Mr. Ip, Mr. Cheung and Mr. Chan.
- (vii) On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan, transferred five ordinary shares, three ordinary shares and two ordinary shares of HK\$1.00 each in Kenfair (Overseas) to Pro-Capital Investments in consideration of, and in exchange for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Pro-Capital Investments, credited as fully paid, as to five shares to Best Aims, three shares to Harbour Rich and two shares to Pace Maker at the respective directions of Mr. Ip, Mr. Cheung and Mr. Chan.
- (viii) On 7th March, 2002, Best Aims, Harbour Rich and Pace Maker transferred 25 shares, 15 shares and 10 shares of US\$1.00 each in Pro-Capital Investments to the Company in consideration of, and in exchange for, the allotment and issue of an aggregate of 30,000,000 Shares, credited as fully paid, as to 15,000,000 Shares to Best Aims, 9,000,000 Shares to Harbour Rich and 6,000,000 Shares to Pace Maker, and the Company also credited as fully paid at par the 30,000,000 Shares allotted and issued, nil paid, as to one Share on 16th January, 2002 and 29,999,999 Shares on 6th March, 2002.
- (ix) On 14th March, 2002, Best Aims, Harbour Rich and Pace Maker transferred 30,000,000 Shares, 18,000,000 Shares and 12,000,000 Shares to Capital Concord in consideration of, and in exchange for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Capital Concord, credited as fully paid, as to five shares to Best Aims, three shares to Harbour Rich and two shares to Pace Maker.

**(e) Changes in share capital of the subsidiaries of the Company**

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus.

- (i) On 16th November, 2001, Capital Harvest was incorporated with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.
- (ii) On 28th November, 2001, Pro-Capital Investments was incorporated with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.
- (iii) On 16th January 2002, 10 shares of US\$1.00 each in Pro-Capital Investments were allotted and issued, as to five shares to Mr. Ip, three shares to Mr. Cheung and two shares to Mr. Chan for cash at par.
- (iv) On 16th January, 2002, 10 shares of US\$1.00 each in Capital Harvest were allotted and issued, as to five shares to Best Aims, three shares to Harbour Rich and two shares to Pace Maker for cash at par.
- (v) On 29th January, 2002, a deed of memorandum of agreement was entered into among Mr. Ip, Mr. Cheung and Mr. Chan in respect of the agreed proportions of the shareholdings of Mr. Ip, Mr. Cheung and Mr. Chan in each of the Relevant Kenfair Group.
- (vi) On 7th March, 2002, seven ordinary shares of HK\$1.00 each in Polonius were allotted and issued, as to four ordinary shares to Mr. Ip, two ordinary shares to Mr. Cheung and one ordinary share to Mr. Chan for cash at par.
- (vii) On 7th March, 2002, eight ordinary shares of HK\$1.00 each in Kenfair Publications were allotted and issued, as to four shares to Mr. Ip, two shares to Mr. Cheung and two shares to Mr. Chan for cash at par.
- (viii) On 7th March, 2002, seven ordinary shares of HK\$1.00 each in Kenfair (Overseas) were allotted and issued, as to four ordinary shares to Mr. Ip, two ordinary shares to Mr. Cheung and one ordinary share to Mr. Chan for cash at par.

Save as disclosed in this paragraph and paragraph 1(d) of this Appendix, there has been no alterations in the share capitals of any subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

**(f) Repurchase by the Company of its own securities**

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

*(i) Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock

Exchange to purchase their equity securities subject to certain restrictions, the most important of which are summarised below:

(aa) Shareholders' approval

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

*Note:* On 18th March, 2002, written resolutions of the sole Shareholder were passed whereby a general unconditional mandate was given to the Directors authorising repurchase by the Company on the Stock Exchange, or any other stock exchange recognised by the Securities and Futures Commission and the Stock Exchange of up to 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued as mentioned herein at any time until the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held or until such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest (the "Buyback Mandate").

(bb) Source of funds

Repurchases must be funded out of funds legally available for the purpose. Any repurchase will be made out of funds of the Company legally permitted to be utilised in this connection, including out of the profits of the Company 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 repurchase over the par value of the shares to be purchased must be provided for out of the profits of the Company or out of the Company's share premium account, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

(cc) Trading restrictions

The Shares proposed to be repurchased by a company must be fully-paid up. A maximum of 10% of the existing issued share capital of the Company as at the date of the resolution granting the general mandate may be repurchased on the Stock Exchange.

(ii) *Reasons for repurchase*

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have general authority from Shareholders to enable the Directors 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 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 the Shareholders.

(iii) *Funding of repurchases*

- (aa) In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and the Articles and the applicable laws and regulations of the Cayman Islands.
- (bb) The Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. However, there might be a material adverse effect on the working capital requirements of the Company or the gearing level (as compared with the position disclosed in the accountants' report, the text of which is set out in Appendix I to this prospectus) in the event the Buyback Mandate is exercised in full.
- (cc) Exercise in full of the Buyback Mandate, on the basis of 180,000,000 Shares in issue immediately after the listing of the Shares on the Stock Exchange, could result in up to 18,000,000 Shares being repurchased by the Company during the period up to the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of the Shareholders in general meeting of the Company, whichever is the earliest.

(iv) *General*

- (aa) None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention, if the Buyback Mandate is exercised, to sell any Shares to the Company or any of its subsidiaries.
- (bb) The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands.
- (cc) If as a result of a repurchase of Shares a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code issued by the Securities and Futures Commission. As a result, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences under the Takeovers Code as a result of a repurchase of securities made immediately after the listing of the Shares. The shareholding of Capital Concord in the Company before and after the full exercise of the Buyback Mandate would be 60% and 66.67%, respectively.

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

**(g) Registration under Part XI of the Companies Ordinance**

The Company has established a place of business in Hong Kong at Suite 2803, Tower 6, The Gateway, Harbour City, 9 Canton Road, Kowloon, Hong Kong and was registered on 4th March, 2002 as an overseas company under Part XI of the Companies Ordinance. Mr. Cheung has been appointed as agent of the Company for the acceptance of service of process in Hong Kong and any notice required to be served on the Company at the Company's principal place of business in Hong Kong stated above.

**2. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP**

**(a) Summary of material contracts**

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

- (i) an agreement dated 31st March, 2000 entered into between Kenfair International and ZR Capital Limited (中榮融資有限公司) ("ZR Capital"), an independent third party (the "First Agreement"), pursuant to which ZR Capital agreed to provide services relating to strategic planning and future development of Kenfair International and its subsidiaries to Kenfair International and its subsidiaries in preparation for the proposed listing of the Group on a recognised stock exchange for a consideration of HK\$3,000,000 as consultancy fee and an amount equivalent to 3% of the total amount raised from private placement of shares to strategic investors as commission;
- (ii) an agreement dated 15th July, 2000 entered into between Mr. Javed Iqbal Khan ("Mr. Khan"), an employee of the Group, as vendor, Kenfair (Overseas) as purchaser and Kenfair International (the "Asia Expo Agreement"), which is supplemental to an agreement dated 30th July, 1999 entered into between Mr. Khan and Kenfair International pursuant to which Mr. Khan and Kenfair International agreed to jointly organise the annual trade fair to be held in the Grand Hall – Olympia, London in February each year (the "Asia Expo" where Kenfair International is entitled to 51% of the net profit generated from the Asia Expo and Mr. Khan is entitled to 49% thereof). Pursuant to the Asia Expo Agreement, Mr. Khan agreed to transfer his entire interests in Kenfair (U.K.) Limited, a company beneficially and wholly-owned by Mr. Khan to Kenfair (Overseas), and to transfer and assign all his rights, privileges and interests in relation to the Asia Expo to Kenfair (Overseas) at an aggregate consideration of HK\$6,000,000 (determined by the earnings potential of the Asia Expo in 2001);
- (iii) an agreement for sale and purchase of property dated 14th December, 2000 entered into between Top Victory Enterprises Development Limited as vendor and Kenfair International as purchaser, pursuant to which Kenfair International agreed to purchase from Top Victory Enterprises Development Limited, Flat B,



12th Floor, and Car Parking Space Nos.10 and 11, Lower Ground Floor, Hong Villa, No.12 Bowen Road, Hong Kong (the “Property”) at a consideration of HK\$15,200,000;

- (iv) an assignment dated 12th January, 2001 entered into between Top Victory Enterprises Development Limited as vendor and Kenfair International as purchaser, pursuant to which Top Victory Enterprises Development Limited assigned the Property to Kenfair International at a consideration of HK\$15,200,000;
- (v) an agreement dated 19th January, 2001 entered into among Mr. Ip, Mr. Cheung, Kenfair International and ZR Capital (the “Second Agreement”), pursuant to which ZR Capital agreed to provide various professional services to Mr. Ip, Mr. Cheung and Kenfair International in connection with the disposal of some or all of the interests of Mr. Ip and Mr. Cheung in the share capital of Kenfair International to a company listed on the Alternative Investment Market board (“LondonCo”) for obtaining control of LondonCo; and thereafter in arranging for the listing of the shares of LondonCo on the main board of the London Stock Exchange for the considerations of HK\$3,000,000, a success fee of HK\$13,500,000 and a bonus fee of an amount equivalent to 40% of the total amounts to be received by, inter alios, Mr. Ip and Mr. Cheung in excess of HK\$10,000,000 upon the completion of the acquisition of the control of LondonCo;
- (vi) a legal charge dated 23rd February, 2001 entered into between Sin Hua Bank Limited (now known as Bank of China (Hong Kong) Limited by virtue of the Bank of China (Hong Kong) Limited (Merger) Ordinance (Chapter 1167 of the Laws of Hong Kong)) (“BOC”) as lender and Kenfair International as borrower, pursuant to which Kenfair International charged the Property to BOC as security for general banking facilities;
- (vii) an agreement dated 5th March, 2001 entered into between Mr. Khan as vendor and Kenfair (Overseas) as purchaser which is supplemental to the Asia Expo Agreement, pursuant to which the parties thereto clarified the definition of Asia Expo mentioned in the Asia Expo Agreement;
- (viii) an agreement dated 20th March, 2001 entered into among the parties to the Second Agreement which is supplemental to the Second Agreement (the “Supplemental Agreement”, and together with the First Agreement and Second Agreement, the “Agreements”) pursuant to which Mr. Ip, Mr. Cheung and Kenfair International agreed to pay ZR Capital an additional fee of £200,000;
- (ix) a tenancy agreement dated 20th November, 2001 entered into between Shanghai Lippo Fuxing Real Estate Limited as landlord and Kenfair International Limited Shanghai Representative Office as tenant, pursuant to which the Group agreed to lease from Shanghai Lippo Fuxing Real Estate Limited Units 3, 5, 6 and 7, Level 30, Lippo Plaza, No. 222 Huai Hai Zhong Road, Lu Wan District, Shanghai, the PRC for a term of 24 months from 16th February, 2002 to 15th February, 2004 at US\$6,551.03 per month exclusive of all outgoings;

- (x) a deed of termination and release dated 28th December, 2001 entered into among the parties to the Second Agreement, pursuant to which the parties thereto agreed, inter alia, to terminate the Agreements and release one another from all liabilities under the Agreements and Mr. Ip and Mr. Cheung agreed to indemnify Kenfair International against any loss it may suffer in connection with the Agreements, on the terms provided therein and in consideration for which ZR Capital agreed to pay HK\$2,200,000 (HK\$5,200,000 paid under the Agreements minus HK\$3,000,000 non-refundable retainer) to Mr. Ip, Mr. Cheung and Kenfair International;
- (xi) a tenancy agreement dated 11th January, 2002 as supplemented by an addendum dated 22nd February, 2002 entered into between Harriman Leasing Limited (acting as leasing agent of landlord) and Kenfair International, pursuant to which Kenfair International agreed to lease from Harriman Leasing Limited (aa) Suites 2803-2808, 28th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Kowloon, Hong Kong for a term of three years from 1st November, 2001 to 31st October, 2004 at HK\$316,602 per month; and (bb) Suite 2809, 28th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Kowloon, Hong Kong for a term of two years eleven months and 14 days commencing from 17th November, 2001 to 31st October, 2004 at HK\$32,130 per month, exclusive of rates, management fee, air-conditioning charges and other outgoings;
- (xii) a consultancy agreement dated 14th January, 2002 entered into between Kenfair International and Worldex Exhibition & Promotion Co., Limited, an independent third party, pursuant to which Worldex Exhibition & Promotion Co., Limited agreed to provide services relating to organisation of trade fairs and trade shows in Thailand, including liaison with local government bodies, compilation of feasibility study report and database of potential exhibitors and buyers, to Kenfair International for a consideration of HK\$6,000,000, which was determined after arm's length negotiations;
- (xiii) a consultancy agreement dated 14th January, 2002 entered into between Kenfair International and Golden Seal International Trade Fair Service Agency Corporation, an independent third party, pursuant to which Golden Seal International Trade Fair Service Agency Corporation agreed to provide services relating to organisation of trade fairs and trade shows in the PRC, including liaison with local government bodies, compilation of feasibility study report and database of potential exhibitors and buyers, to Kenfair International for a consideration of HK\$6,000,000, which was determined after arm's length negotiations; and
- (xiv) a deed of supplemental agreement dated 24th January, 2002 entered into among Mr. Khan, Kenfair (Overseas) and Kenfair International, which is supplemental to the Asia Expo Agreement, pursuant to which the parties thereto agreed that (aa) as at the completion of the Asia Expo Agreement on 15th July, 2000 the parties thereto agreed to modify and amend clause 2 thereof to the effect that Mr. Khan's interests in Kenfair (U.K.) Limited would not be sold to Kenfair (Overseas); and (bb) all the terms and conditions of the Asia Expo Agreement would remain unchanged save and except the said modification of and amendment to clause 2 thereof.



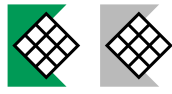
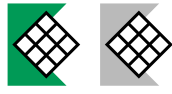
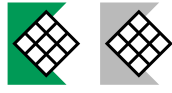
- (xv) an agreement dated 7th March, 2002 entered into between Capital Harvest and Mr. Ip, Mr. Cheung and Mr. Chan for the acquisition of an aggregate of 10 ordinary shares of HK\$1.00 each in Polonius, being the entire issued share capital of Polonius, in exchange for, and in consideration of, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Capital Harvest, credited as fully paid, as to five shares to Mr. Ip, three shares to Mr. Cheung and two shares to Mr. Chan or their respective nominees;
- (xvi) an agreement dated 7th March, 2002 entered into between Pro-Capital Investments, Best Aims, Harbour Rich and Pace Maker for the acquisition of an aggregate of 20 shares of US\$1.00 each in Capital Harvest, being the entire issued share capital of Capital Harvest, in consideration of, and in exchange for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Pro-Capital Investments, credited as fully paid, as to five shares to Best Aims, three shares to Harbour Rich and two shares to Pace Maker;
- (xvii) an agreement dated 7th March, 2002 entered into between Pro-Capital Investments and Mr. Ip, Mr. Cheung and Mr. Chan for the acquisition of an aggregate of 10 ordinary shares of HK\$1.00 each in Kenfair Publications, being the entire issued share capital of Kenfair Publications, in consideration of, and in exchange for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Pro-Capital Investments, credited as fully paid, as to five shares to Mr. Ip, three shares to Mr. Cheung and two shares to Mr. Chan or their respective nominees;
- (xviii) an agreement dated 7th March, 2002 entered into between Pro-Capital Investments and Mr. Ip, Mr. Cheung and Mr. Chan for the acquisition of an aggregate of 100 ordinary shares of HK\$1.00 each in Kenfair International, being the entire issued share capital of Kenfair International, in consideration of, and in exchange for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Pro-Capital Investments, credited as fully paid, as to five shares to Mr. Ip, three shares to Mr. Cheung and two shares to Mr. Chan or their respective nominees;
- (xix) an agreement dated 7th March, 2002 entered into between Pro-Capital Investments and Mr. Ip, Mr. Cheung and Mr. Chan for the acquisition of an aggregate of 10 ordinary shares of HK\$1.00 each in Kenfair (Overseas), being the entire issued share capital of Kenfair (Overseas), in consideration of, and in exchange for, the allotment and issue of an aggregate of 10 shares of US\$1.00 each in Pro-Capital Investments, credited as fully paid, as to five shares to Mr. Ip, three shares to Mr. Cheung and two shares to Mr. Chan or their respective nominees;
- (xx) an agreement dated 7th March, 2002 entered into between the Company, Best Aims, Harbour Rich and Pace Maker for the acquisition of an aggregate of 50 shares of US\$1.00 each in Pro-Capital Investments, being the entire issued share capital of Pro-Capital Investments in exchange for, and in consideration of, the allotment and issue of an aggregate of 30,000,000 Shares, credited as fully paid, as to 15,000,000 Shares to Best Aims, 9,000,000 Shares to Harbour Rich and 6,000,000 Shares to Pace Maker or their respective nominees and the crediting as fully paid at par an aggregate of 30,000,000 Shares allotted and issued, nil paid, as to one Share on 16th January, 2002 and 29,999,999 Shares on 6th March, 2002;

(xxi) a deed of indemnity dated 22nd March, 2002 given by each of the Vendor Mr. Ip, Mr. Cheung, Mr. Chan and the Covenantors in favour of the Group in respect of any claims for taxation including estate duty claims against any member of the Group as referred to in paragraph 5(a) of this Appendix; and

(xxii) the Underwriting and Placing Agreement.

**(b) Intellectual property rights of the Group**

As at the Latest Practicable Date, the Group had applied for the registration of the following trade marks, the registration of which has not yet been granted:

Trade Mark	Place of Application	Class	Application Number	Application Date
	Hong Kong	35 (Note 1)	200117943	2nd November, 2001
	UK	35 (Note 1)	2285345	12th November, 2001
	Hong Kong	35 (Note 2)	200200496	14th January, 2002
	Hong Kong	41 (Note 3)	200200497	14th January, 2002
	UK	35 (Note 2) 41 (Note 3)	2290472	18th January, 2002
KENFAIR Kenfair	Hong Kong	35 (Note 2)	200200616	16th January, 2002
KENFAIR Kenfair	Hong Kong	41 (Note 3)	200200617	16th January, 2002
KENFAIR	UK	35 (Note 2) 41 (Note 3)	2290193	16th January, 2002

*Notes:*

- The services covered under Class 35 include organisation of exhibitions for commercial or advertising purposes; organisation of trade fairs for commercial or advertising purposes; advertising; demonstration of goods; distribution of samples; business management; professional business consultancy; business information; commercial information agencies; organisation consultancy; business research; compilation of information into computer databases; business administration; marketing research and studies; opinion polling and public relations.

2. The services covered under Class 35 include arranging and conducting exhibitions, trade fairs and trade shows; organisation of shows or events for promotional purposes; sales promotion for others; rental of advertising space; advertising and marketing services; dissemination of advertising and promotional matter; business appraisals; business information services; market research and studies; outdoor advertising; public relations; photocopying; rental of office machines and equipment; publishing publicity texts; compilation of information into computer databases; distribution of samples; consultancy, information and advisory services relating to the foregoing.
3. The services covered under Class 41 include arranging and conducting conferences, congresses, seminars, symposiums and workshops; organisation, conducting and sponsorship of expositions, shows and exhibitions; providing facilities for arranging and conducting of business conferences, exhibitions and shows; publication of texts (other than publicity texts); consultancy, information and advisory services relating to the foregoing.

### 3. FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

#### (a) Disclosure of Interests

- (i) Immediately following the completion of the Share Offer and the Capitalisation Issue (taking no account of Shares which may be taken up under the Share Offer and Shares falling to be issued upon exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) the interests of the Directors in the equity securities (as defined in the Listing Rules) of the Company or any 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 deemed or taken to have under section 31 of, 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange once the shares are listed (assuming that their interests will remain unchanged after the Latest Practicable Date) will be as follows:

Name	Number of Shares			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Ip	–	–	108,000,000 ( <i>note 1</i> )	–
Mr. Cheung	–	–	–	108,000,000 ( <i>note 2</i> )
Mr. Chan	–	–	–	108,000,000 ( <i>note 3</i> )

*Notes:*

1. Mr. Ip is beneficially interested in 50% of the entire issued share capital of Capital Concord which in turn will hold 108,000,000 Shares representing 60% of the entire issued Shares immediately following the completion of the Share Offer and the Capitalisation Issue. The interests of Mr. Ip are accordingly “corporate interests” as described in paragraph 3(c) of practice note 5 of the Listing Rules.

2. Mr. Cheung is beneficially interested in 30% of the entire issued share capital of Capital Concord which in turn will hold 108,000,000 Shares representing 60% of the entire issued Shares immediately following the completion of the Share Offer and the Capitalisation Issue. The interests of Mr. Cheung are accordingly “other interests” as described in paragraph 3(d) of practice note 5 of the Listing Rules.
  3. Mr. Chan is beneficially interested in 20% of the entire issued share capital of Capital Concord which in turn will hold 108,000,000 Shares representing 60% of the entire issued Shares immediately following the completion of the Share Offer and the Capitalisation Issue. The interests of Mr. Chan are accordingly “other interests” as described in paragraph 3(d) of practice note 5 of the Listing Rules.
- (ii) Each of Mr. Ip, Mr. Cheung and Mr. Chan has entered into a director’s service agreement dated 18th March, 2002 with the Company under which he has been appointed to act as an executive Directors for an initial term of three years commencing from 1st April, 2002 and thereafter until the agreement is terminated by either party giving to the other not less than six calendar months’ notice in writing, such notice to expire not earlier than 31st March, 2005. Each of these executive Directors is entitled to the basic salary set out below (subject to an annual increment after 31st March, 2003 at the discretion of the Directors of not more than 5% of the annual salary at the time of the relevant review). In addition, for the financial year ending 31st March, 2003 and each of the financial years thereafter, each of the executive Directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive Directors in respect of any financial year of the Company may not exceed 15% of the audited consolidated profit of the Group (after taxation but before extraordinary items and payment of such bonus) in respect of that financial year of the Company. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary, the discretionary bonus or other benefits or allowances payable to him.
- (iii) The aggregate of the remuneration paid and benefits in kind granted to the Directors by any member of the Group for the year ended 31st March, 2001 was approximately HK\$5,044,000, representing salaries of HK\$4,875,000, mandatory provident funds contributions of HK\$9,000 and the monetary value of residential accommodation provided to Mr. Cheung of HK\$160,000.
- (iv) Each of Mr. Ip, Mr. Cheung and Mr. Chan will be entitled to receive HK\$1,625,000 as director’s fees in respect of the year ending 31st March, 2002.
- (v) Conyers Dill & Pearman, Cayman (the Company’s Cayman Islands legal advisors) will receive normal professional fees in connection with matters relating to the Share Offer.
- (vi) The estimated aggregate remuneration payable to and benefit in kind receivable by the executive Directors (i.e. Mr. Ip, Mr. Cheung and Mr. Chan), and the independent non-executive Directors (i.e. Mr. Wong Tat Tong and Mr. Chan Wing Yau, George) are HK\$5,631,000 and HK\$ nil, respectively in respect of the year ending 31st March, 2002 under the arrangements currently in force. Starting from 1st April, 2002, each of the two independent non-executive Directors will be entitled an emolument of HK\$5,000 per month (i.e. HK\$60,000 per annum).

(vii) Save as disclosed herein:

- (aa) none of the Directors has any interest in the equity or debt securities of the Company or any 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 he is taken or deemed to have under section 31 of 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 into the register referred to therein once the shares are listed or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange, once the Shares are listed;
- (bb) none of the Directors nor any of the experts whose names are listed in the paragraph headed “Consents of experts” of this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group;
- (cc) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (dd) taking no account of Shares which may be taken up under the Share Offer, the Directors are not aware of any person who will, immediately following the completion of the Share Offer and the Capitalisation Issue, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (ee) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (ff) none of the experts whose names are listed in the paragraph headed “Consents of experts” of this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**(b) Substantial shareholder**

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (taking no account of Shares which may be taken up under the Share Offer and Shares falling to be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the following persons will be, directly or indirectly, interested in 10% or more of the then issued Shares:

Name	Number of Shares or attributable number of shares	Percentage or attributable percentage of holding of Shares in issue immediately following the completion of the Share Offer (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue
Capital Concord ( <i>note 1</i> )	108,000,000	60%
Best Aims ( <i>notes 1 and 2</i> )	54,000,000 ( <i>note 5</i> )	30%
Harbour Rich ( <i>notes 1 and 3</i> )	32,400,000 ( <i>note 6</i> )	18%
Pace Maker ( <i>notes 1 and 4</i> )	21,600,000 ( <i>note 7</i> )	12%
Mr. Ip ( <i>note 2</i> )	54,000,000 ( <i>note 8</i> )	30%
Mr. Cheung ( <i>note 3</i> )	32,400,000 ( <i>note 9</i> )	18%
Mr. Chan ( <i>note 4</i> )	21,600,000 ( <i>note 10</i> )	12%

*Notes:*

1. The entire issued share capital of Capital Concord is beneficially owned as to 50% by Best Aims, 30% by Harbour Rich and 20% by Pace Maker.
2. The entire issued share capital of Best Aims is beneficially owned by Mr. Ip.
3. The entire issued share capital of Harbour Rich is beneficially owned by Mr. Cheung.
4. The entire issued share capital of Pace Maker is beneficially owned by Mr. Chan.
5. These Shares are attributable to Best Aims in respect of its 50% interest in Capital Concord.
6. These Shares are attributable to Harbour Rich in respect of its 30% interest in Capital Concord.
7. These Shares are attributable to Pace Maker in respect of its 20% interest in Capital Concord.
8. These Shares are attributable to Mr. Ip in respect of his 100% interest in Best Aims.
9. These Shares are attributable to Mr. Cheung in respect of his 100% interest in Harbour Rich.
10. These Shares are attributable to Mr. Chan in respect of his 100% interest in Pace Maker.

**(c) Personal guarantees**

Each of Mr. Ip and Mr. Cheung, both of whom are executive Directors, has provided certain personal guarantees to secure the Group's banking facilities, details of which are set out in the sub-paragraph headed "Banking facilities" in the section headed "Combined balance sheets" in Appendix I to this prospectus. The relevant bank has agreed in principle to the release of these personal guarantees and the replacement of the same by corporate guarantee(s) of the Company upon the listing of the Shares on the Stock Exchange.



**(d) Agency fees or commissions received**

The Underwriters will receive a commission of 2.5% of the Offer Price of all the Offer Shares under the Share Offer, out of which they will pay any sub-underwriting commission. The Sponsor and the Co-sponsors will receive financial advisory and documentation fees and be reimbursed certain expenses. Such commissions, documentation fees and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Share Offer, which are estimated to amount in aggregate to approximately \$10 million, will be payable as to 50% by the Company and as to 50% by the Vendor.

**(e) Related party transactions**

There were various related party transactions between the Group and various related parties during the three years ended 31st March, 2001, and the seven months ended 31st October 2001, details of which are set out in note 3(h) headed “Related party transactions” in the paragraph headed “Combined results” of the accountants’ report, the text of which is set out in Appendix I to this Prospectus and paragraph 1(d) and 2(a) of this Appendix.

**4. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by an ordinary resolution passed by all the Shareholders on 18th March, 2002:

**(a) Purpose**

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentive and/or rewards for their contribution to the Company.

**(b) Who may join**

The Directors may, at their discretion, invite full-time employees and executives of the Company, including all executive directors of the Company and any of its subsidiaries, to take up options to subscribe for Shares at a price calculated in accordance with paragraph 4(c) of this Appendix. The offer of grant of options is open for acceptance by the employees for 28 days from the date of offer of the option (but not later than the date of the tenth anniversary of the date of adoption of the Share Option Scheme or the date of termination of the Share Option Scheme) (the “Offer Date”). Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

**(c) Price of Shares**

The subscription price for Shares under the Share Option Scheme shall be a price notified by the Directors to a participant (subject to any adjustments made pursuant to paragraph 4(o) of this Appendix) and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the Offer Date which must be a Business Day; and (ii) the average of the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the Offer Date provided that the subscription price shall not be lower than the nominal value of the Shares.

**(d) Maximum number of Shares**

- (i) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the Shares in issue from time to time;
- (ii) the total number of Shares available for issue upon exercise of all outstanding options which have been or may be granted under the Share Option Scheme and any other schemes for the time being of the Company must not, in aggregate, exceed 18,000,000 Shares, representing 10% of the Shares in issue immediately upon the completion of the Share Offer and the Capitalisation Issue (taking no account of Shares falling to be issued upon the exercise of the Over-allotment Option) (the “**Scheme Mandate Limit**”) unless an approval by the Shareholders at general meeting has been obtained pursuant to paragraph 4(d)(iii) of this Appendix. The Company may seek approval by Shareholders in general meeting to refresh the Scheme Mandate Limit and a circular shall be issued to the Shareholders;
- (iii) subject to paragraph 4(d)(i) of this Appendix and without prejudice to paragraph 4(d)(iv) of this Appendix, the Company may issue a circular to its Shareholders containing 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 and seek approval of its Shareholders in general meeting to refresh the Scheme Mandate Limit provided that the total 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 for the time being of the Company must not in aggregate exceed 10% of the 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 the Group) previously granted under the Share Option Scheme and any other share option scheme for the time being of the Group will not be counted; and
- (iv) subject to paragraph 4(d)(i) of this Appendix and without prejudice to paragraph 4(d)(iii) of this Appendix, the Company may issue a circular to its Shareholders containing 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 and seek separate Shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit or, if applicable, the refreshed limit referred to in paragraph 4(d)(iii) of this Appendix to participants specifically identified by the Company before such approval is sought.

**(e) Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) in any 12-month period up to the Date of Grant to each grantee must not exceed 1% of the Shares in issue at the Date of Grant. Any further grant in excess of this limit must be subject to Shareholders’

approval, all such participants and their associates shall abstain from voting in such general meeting and a circular shall be issued to the Shareholders disclosing the identity of the participants, the number and terms of the options granted and to be granted, the information required under rule 17.02 (2)(d) of the Listing Rules and the disclaimer required under 17.02 (4) of the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such participants must be fixed before the Shareholders' approval is sought and the date of the meeting of the Directors for proposing such further grant shall be taken as the Date of Grant for the purpose of calculating the subscription price.

**(f) Grant of options to connected persons**

- (i) Any grant of options to a connected person (as defined in the Listing Rules) or its associates (as defined in the Listing Rules) shall be approved by all independent non-executive directors of the Company (excluding any independent non-executive director who is a prospective grantee of the options in question);
- (ii) where any grant of options to a connected person (as defined in the Listing Rules) who is also a substantial shareholder or an independent non-executive director or their respective associates, would result in the Shares issued and to be issued upon exercise of the options granted and to be granted (including all the exercised, cancelled and outstanding options) to such connected person in any 12-month period immediately preceding the Date of Grant, and would entitle such connected person to receive more than 0.1% of the Shares in issue for the time being and the aggregate value (based on the closing price of the Shares at the date of each grant) of which is in excess of HK\$5,000,000 such grant of options must be approved (voting by way of poll) by Shareholders in general meeting. All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in such general meeting (except where any such connected person intends to vote against the proposed grant and his intention to do so has to be stated in the circular to Shareholders) in connection with obtaining the aforesaid approval; and
- (iii) for the purposes of approving the proposed grant of options as described under paragraphs 4(f)(i) and (ii) of this Appendix, the Company shall issue a circular to Shareholders explaining the proposed grant, disclosing the number and terms (including the subscription price) of the options to be granted to each participant which must be fixed before the Shareholders' meeting and containing a recommendation from the independent non-executive directors of the Company on whether or not to vote in favour of the proposed grant and the information required under rules 17.02 (2)(c) and (d) of the Listing Rules and the disclaimer required under rule 17.02 (4) of the Listing Rules.

Any change in the terms of any options granted to a grantee who is a substantial shareholder, an independent non-executive director of the Company or their respective associates shall be approved by the Shareholders in general meeting and such grantee and his associates shall abstain from voting in such general meeting.

**(g) Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the five-year period commencing on the date on which the option is accepted and expiring on the last day of the five-year period or the expiry of the tenth anniversary of the Share Option Scheme referred to in paragraph 4(t) of this Appendix whichever is the earlier (the “Option Period”).

**(h) Performance targets**

Unless the Board otherwise determines and states in the offer of the grant of those options to a grantee, a grantee is not required to achieve any performance targets before any of his options granted under the Share Option Scheme can be exercised.

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

An option may not be transferred or assigned and is personal to the grantee.

**(j) Rights on ceasing employment**

If the grantee of an option leaves the service of the Company for any reason other than death, serious misconduct or certain other grounds, the grantee shall be entitled to exercise the option up to the grantee’s entitlement at the date of cessation (to the extent not already exercised) within the period of one month following the date of such cessation or on or before the date of the expiry of the Option Period, whichever is the earlier, which date shall be the last actual working day with the Company or any of its subsidiaries whether salary is paid in lieu of notice or not.

**(k) Rights on death**

If the grantee of an option ceases to be an employee of the Group by reason of death, his personal representative(s) shall be entitled until whichever is the earlier of the date of expiry of the Option Period or the last day of the 12 months from the date of death to exercise the option in full (to the extent not already exercised), failing which it will lapse.

**(l) Rights on dismissal**

If the grantee of an option leaves the service of the Group by the reason of serious misconduct or on certain other grounds, his option will thereupon lapse forthwith.

**(m) Cancellation of options**

Any cancellation of options granted but not exercised must be approved by Shareholders in general meeting, with participants and their associates abstaining from voting. Where the Company cancels options and issues new ones to the same participant, the issue of such new options may only be made under a scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders in general meeting as referred to in paragraph 4(d) above.

**(n) Termination of the Share Option Scheme**

The Company by resolution in general meeting or the Board may at any time terminate 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 to the termination 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.

**(o) Effect of alteration to capital**

In the event of any capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital of the Company while any option remains exercisable, such corresponding alterations (if any) certified in writing by the auditors for the time being of the Company as fair and reasonable will be made to the number or nominal amount of Shares subject to the option so far as unexercised and/or the subscription price, provided that any such alteration will be made on the basis that the proportion of the issued share capital of the Company to which a grantee is entitled after such alteration will remain the same as that to which he was entitled before such alteration and that no Share will be issued at less than its nominal value. The issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the auditors must confirm to the Directors in writing that the adjustments satisfy the relevant requirements of the Listing Rules.

**(p) Rights on general offer**

If a general offer (including any takeover) is made to all the holders of Shares and such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option in full (to the extent not already exercised) until whichever is the earlier of the date of expiry of the Option Period or the last day of the period of 14 days after the date on which the offer becomes or is declared unconditional. Subject to the above, an option will lapse automatically (to the extent not exercised) on the expiry of the above 14-day period.

**(q) Rights on winding up**

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all the grantees and thereupon, each of the grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his option at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company stating the option is thereby exercised and the number of Shares in respect of which it is exercised, accompanied by the full amount of the subscription price for the Shares in respect of which the option is exercised whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

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

If, pursuant to the Companies Law, a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees (or to their personal representatives) on the same day or as soon as practicable after it despatches notice to the members or creditors summoning a meeting to consider such a compromise or arrangement, and thereupon the grantee (or his legal personal representative(s)) may, by notice in writing to the Company accompanied by the remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two Business Days prior to the proposed meeting), exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall, as soon as possible and in any event not later than 12 noon on the day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the relevant grantee which falls to be issued on such exercise, credited as fully paid and register the grantee as holder thereof. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent they have not been so exercised, lapse and determine.

**(s) Ranking of Shares**

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* in all respect with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment. A Share allotted upon the exercise of an option shall not carry any voting rights until the completion of the registration of the grantee as the holder thereof.

**(t) Period of 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 becomes unconditional (which is expected to be on or before the Listing Date).

**(u) Lapse of option**

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

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods or dates referred to in paragraphs 4(j), (k), (p) or (q) of this Appendix;
- (iii) the date of the commencement of the winding-up of the Company referred to in paragraph 4(q) of this Appendix;

- (iv) subject to paragraph 4(p) of this Appendix, upon the compromise or arrangement referred to in paragraph 4(r) of this Appendix becoming effective;
- (v) the date on which the grantee ceases to be an employee by reason of the termination of his employment on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant subsidiary of the Company. A resolution of the Board or the board of directors of the relevant subsidiary of the Company to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph 4(u)(v) of this Appendix shall be conclusive and binding on the participant, and where appropriate, his legal representative(s); and
- (vi) the date on which the Board shall exercise the Company's rights to cancel the option as a result of the grantee's breach of the provisions referred to in paragraph 4(i) of this Appendix.

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

The Share Option Scheme may be altered at any time in any respect by resolution of the Board or scheme administrators without the approval of Shareholders except that certain specified provisions of the Share Option Scheme (relating to the matters referred to in Rule 17.03 of the Listing Rules) shall not be altered to the advantage of the grantees or prospective grantees (as the case may be) except with the prior sanction of an ordinary resolution of the Company in general meeting. Any alterations to the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by Shareholders except where the alterations take effect automatically under the existing provisions of the Share Option Scheme.

Amended terms of the Share Option Scheme or the options must comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

**(w) Restrictions on the time of grant of options**

For so long as the Shares are listed on the Stock Exchange, the Board shall not grant any option after a price sensitive development in relation to the securities of the Company has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published in the newspaper or announced pursuant to the requirements of the Listing Rules and in particular, the Board is prohibited from granting any option 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 in

accordance with paragraph 12 of the listing agreement entered into between the Company and the Stock Exchange) for the approval of the Company's interim or annual results; and (ii) the deadline for the Company to publish its interim or annual results announcement under the aforesaid listing agreement, and ending on the date of the results announcements.

The Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any other code or securities dealing restrictions adopted by the Company.

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

The Share Option Scheme was adopted by a written resolution of the sole Shareholders passed on 18th March, 2002.

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting approval of any options which may be granted thereunder and the granting of the approval of the listing of, and permission to deal in, the Shares to be issued as mentioned therein.

Unless the context otherwise requires, references to "Shares" in this section include shares in the Company of any other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the granting of the approval of the listing of, and permission to deal in, the Shares which fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.

**5. OTHER INFORMATION**

**(a) Estate duty and tax indemnities**

Conditional on the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, each of Mr. Ip, Mr. Cheung, Mr. Chan, the Vendor and the Covenantors has given joint and several indemnities in connection with, inter alia, any liability for Hong Kong estate duty which might be payable by any member of the Group, by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group and any tax liabilities of the Group arising on or before the date on which the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued in accordance with this prospectus (the "Effective Date") except in certain circumstances including:

- (i) where such liability arises as a result of a retrospective change in law or tax rates after the Effective Date;
- (ii) to the extent that adequate provision therefor has been made in the combined audited accounts of the Group up to 31st October, 2001;



- (iii) where such tax liability arises as a result of an act or omission or transaction by any member of the Group voluntarily effected without the prior written consent or agreement of Mr. Ip, Mr. Cheung, Mr. Chan, the Vendor and the Covenantors otherwise than in the ordinary course of business after the Effective Date; or
- (iv) to the extent of any provisions or reserve made in the combined audited accounts of the Group for each of the three financial years ended 31st March, 2001 and the seven months ended 31st October, 2001 which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the indemnifiers' liability shall not be available in respect of any such liability arising thereafter; and
- (v) any liability imposed on any member of the Group under section 42 of the Estate Duty Ordinance or equivalent laws in other jurisdiction as a result of such member's default in any obligation arising after the Effective Date, give information pursuant to section 42 of the Estate Duty Ordinance or the equivalent authority in other relevant jurisdiction.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands or the BVI.

**(b) Litigation**

Neither the Company nor any other member of the Group is engaged in any litigation or arbitration which is material to the extent that it may adversely affect the business or profitability of the Group and, so far as the Directors are aware, no litigation, arbitration or claim is pending or threatened against the Company or any member of the Group which is material to the extent that it adversely affect the business or profitability of the Group.

**(c) Sponsor and Co-sponsors**

Baron Capital, Ka Wah Capital and KGI Asia have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the granting of the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any new Shares which fall to be issued upon the exercise of options that may be granted under the Share Option Scheme.

**(d) Preliminary expenses**

The estimated preliminary expenses of the Company are approximately US\$2,500 and are payable by the Company.

**(e) Agency fees or commissions granted**

The Underwriters will receive an undertaking commission as mentioned in the subsection headed "Underwriting arrangements and expenses" in the section of this prospectus headed "Underwriting".

**(f) Promoter**

The Company does not have any promoter.

**(g) Qualifications of experts**

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

<b>Name of expert</b>	<b>Qualifications</b>
Baron Capital	Investment adviser registered under the Securities Ordinance
Ka Wah Capital	Investment adviser and dealer registered under the Securities Ordinance
KGI Asia	Dealer registered under the Securities Ordinance
Ernst & Young	Certified public accountants
LCH (Asia-Pacific) Surveyors Limited	Chartered surveyors
Conyers Dill & Pearman	BVI barristers and attorneys
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
Pu Dong Law Office	Registered law firm in the PRC

**(h) Consents of experts**

Baron Capital, Ka Wah Capital, KGI Asia, Ernst & Young, LCH (Asia-Pacific) Surveyors Limited, Conyers Dill & Pearman, Conyers Dill & Pearman, Cayman and Pu Dong Law Office have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names in the form and context in which they are respectively included.

**(i) Binding effect**

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

**(j) Taxation of holders of Shares***(i) Hong Kong*

Dealings in Shares will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty the current rate of which is HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the Shares being sold or transferred.

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

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

*(ii) Cayman Islands*

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

*(iii) Professional tax advice recommended*

Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for purchasing, holding or disposing of or dealing in Shares or exercising any right attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer 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 or the exercise of any right attaching to Shares.

**(k) Miscellaneous***(i) Save as disclosed herein:**(aa) within the two years preceding the date of this prospectus:*

*(A) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;*

*(B) no commissions, discounts, brokerages or other special terms have been granted for subscribing or purchasing or agreeing to subscribe or purchase, or procuring or agreeing to procure subscription or purchase of any share or loan capital of the Company or any of its subsidiaries; and*

*(bb) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and*

- (cc) there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial trading position of the Group in the twelve months preceding the date of this prospectus.
- (ii) Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Group since 31st October, 2001 (being the date to which the latest audited combined financial statements of the Group were made up).
- (iii) The Company has no founder shares, management shares or deferred shares.
- (iv) The register of members of the Company will be maintained in Hong Kong by Tengis Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with, and registered by, the Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands.
- (v) All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- (I) Particulars of the Vendor**

The particulars of the Vendor of the Sale Shares are as follows:

<b>Name</b>	<b>Address</b>	<b>Number of Sale Shares or attributable number of Sale Shares</b>
Capital Concord (note 1)	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI	36,000,000
Best Aims (notes 1 and 2)	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI	18,000,000 (note 5)
Harbour Rich (notes 1 and 3)	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI	10,800,000 (note 6)
Pace Maker (notes 1 and 4)	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI	7,200,000 (note 7)
Mr. Ip (note 2)	Flat A, 10th Floor, King's Park Villa, 1 King's Park Rise, Kowloon, Hong Kong	18,000,000 (note 8)
Mr. Cheung (note 3)	Flat B, 12th Floor, Hong Villa, 12 Bowen Road, Hong Kong	10,800,000 (note 9)
Mr. Chan (note 4)	Flat C, 10th Floor, Block 26, Baguio Villa, 555 Victoria Road, Pokfulam, Hong Kong	7,200,000 (note 10)

*Note:*

1. The entire issued share capital of Capital Concord is beneficially owned as to 50% by Best Aims, 30% by Harbour Rich and 20% by Pace Maker.
2. The entire issued share capital of Best Aims is beneficially owned by Mr. Ip.
3. The entire issued share capital of Harbour Rich is beneficially owned by Mr. Cheung.
4. The entire issued share capital of Pace Maker is beneficially owned by Mr. Chan.
5. These shares are attributable to Best Aims in respect of its 50% interest in Capital Concord.
6. These shares are attributable to Harbour Rich in respect of its 30% interest in Capital Concord.
7. These shares are attributable to Pace Maker in respect of its 20% interest in Capital Concord.
8. These Shares are attributable to Mr. Ip in respect of his 100% interest in Best Aims.
9. These Shares are attributable to Mr. Cheung in respect of his 100% interest in Harbour Rich.
10. These Shares are attributable to Mr. Chan in respect of his 100% interest in Pace Maker.