

**A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES****1. INCORPORATION**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 21st June, 2002 with an authorised share capital of \$200,000 divided into 20,000,000 Shares, one of which was allotted and issued to Codan Trust Company (Cayman) Limited on 3rd July, 2002 at nil consideration. On the same date, Codan Trust Company (Cayman) Limited transferred the Share to Huge Gain at nil consideration and 9,999,999 Shares were allotted and issued nil paid by the Company to Huge Gain. The 10,000,000 Shares were subsequently paid up in the manner described in the paragraph headed “Group reorganisation” below.

The Company has established a place of business in Hong Kong at Room 10, 11th Floor, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company has submitted an application to the Registrar of Companies in Hong Kong to be registered as an oversea company under Part XI of the Companies Ordinance. Mr. Garry Siu and Mr. Edmund Siu, both being Directors, have been appointed as agents of the Company for the acceptance of service of process and any notices required to be served on the Company in Hong Kong. The address for service of process and notices of the Company is the same as its principal place of business in Hong Kong. The Company was incorporated in the Cayman Islands and is subject to the Cayman Islands law. Its constitution comprises a memorandum and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Cayman Islands company law is set out in Appendix 5 to this prospectus.

**2. CHANGES IN SHARE CAPITAL**

Pursuant to resolutions in writing of the sole shareholder of the Company passed on 22nd October, 2002, the share capital of the Company was increased to \$100,000,000 by the creation of a further 9,980,000,000 Shares, 10,000,000 of which were on that date issued and credited as fully paid as described in the paragraph headed “Group reorganisation” below.

Immediately following the Offer and the Capitalisation Issue becoming unconditional and the issue of Shares as mentioned herein being made, the authorised share capital of the Company will be \$100,000,000 divided into 10,000,000,000 Shares of which 240,000,000 Shares will be issued fully paid or credited as fully paid, and 9,760,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the members in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in the paragraph headed “Resolutions of the sole shareholder of the Company passed on 22nd October, 2002” below, there has been no alteration in the share capital of the Company since its incorporation.

**3. RESOLUTIONS OF THE SOLE SHAREHOLDER OF THE COMPANY PASSED ON 22ND OCTOBER, 2002**

On 22nd October, 2002, pursuant to resolutions in writing passed by the sole shareholder of the Company:

- (a) the Company adopted its existing articles of association;

- (b) conditional on the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and on the obligations of the Underwriters under the Underwriting Agreement referred to in the paragraph headed “Underwriting arrangements and expenses” in the section headed “Underwriting” of this prospectus becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before 29th November, 2002:
- (i) the authorised share capital was increased from \$200,000 to \$100,000,000 by the creation of a further 9,980,000,000 Shares;
  - (ii) the Offer was approved and the Directors were authorised to allot and issue the New Shares pursuant thereto;
  - (iii) the Over-allotment Option was approved and the Directors were authorised to effect the same and to allot and issue further new Shares upon the exercise of the Over-allotment Option;
  - (iv) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Share Option Scheme” of this Appendix, were approved and concurred with and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
  - (v) conditional on the share premium account of the Company being credited as a result of the Offer, the Directors were authorised to capitalise \$1,840,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 184,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on 22nd October, 2002 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing holdings;
  - (vi) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the articles of association of the Company, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the Offer or the Capitalisation Issue, Shares with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein (including without limitation, any issue of Shares pursuant to the exercise of the Over-allotment Option); and (bb) if the resolution in paragraph (viii) below is passed, the nominal amount of the share capital of the Company which may be repurchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (vii) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held or the passing of an ordinary resolution by shareholders of the Company revoking or varying the authority given to the Directors, whichever occurs first;

- (vii) a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein (including without limitation, any issue of Shares pursuant to the exercise of the Over-allotment Option) until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held or the passing of an ordinary resolution by shareholders of the Company revoking or varying the authority given to the Directors, whichever occurs first; and
- (viii) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of the share capital of the Company which is repurchased pursuant to paragraph (vii) above was approved.

#### **4. GROUP REORGANISATION**

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange. The reorganisation involved the transfer to the Company by Huge Gain of one share, being the entire issued share capital in Sun Ace, the intermediate holding company of the Group, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, 10,000,000 Shares to Huge Gain; and (ii) credited as fully paid at par the 10,000,000 nil paid Shares held by Huge Gain.

In addition to the transfer of share in Sun Ace referred to above, on 24th May, 2002, Mr. Garry Siu transferred 115 shares of \$1,000 each in the capital of Sun Tai Hing and one share of US\$1 each in the capital of Dragon City to Sun Ace, at the respective considerations of \$115,000 and US\$1.

#### **5. CHANGES IN SHARE CAPITAL OF SUBSIDIARIES**

The subsidiaries of the Company are listed in the accountants' report set out in Appendix 1 to this prospectus. Save as disclosed herein and in the paragraph headed "Group reorganisation" above in this Appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

#### **6. REPURCHASE BY THE COMPANY OF ITS OWN SHARES**

##### **(a) Reasons for repurchases**

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

**(b) Funding of repurchases**

In repurchasing shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

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

The exercise in full of the Repurchase Mandate, on the basis of 240,000,000 Shares in issue immediately after completion of the Offer and the Capitalisation Issue assuming the Over-allotment Option has not been exercised, would result in up to 24,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

**(c) General**

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

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a shares repurchase, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders of the Company acting in concert 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 which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. At present, the Directors do not have the intention to exercise the Repurchase Mandate in such manner as will result in a mandatory offer being triggered pursuant to the Takeovers Code.

Any purchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented with the agreement of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

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

**B. FURTHER INFORMATION ABOUT THE BUSINESS****1. SUMMARY OF MATERIAL CONTRACTS**

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

- (a) an agreement dated 22nd October, 2002 entered into between (i) Huge Gain as vendor; (ii) the Company as purchaser; and (iii) Mr. Garry Siu and Mr. Edmund Siu as warrantors for the acquisition of the entire issued share capital of Sun Ace in consideration of (aa) the allotment and issue, credited as fully paid, of 10,000,000 Shares to Huge Gain; and (bb) the crediting as fully paid at par the 10,000,000 nil paid Shares held by Huge Gain;
- (b) a deed of indemnity dated 29th October, 2002 and executed by Mr. Garry Siu, Mr. Edmund Siu and Huge Gain in favour of the Company (for itself and as trustee for its subsidiaries) containing the indemnities referred to in the paragraph headed “Estate duty, tax and other indemnity” in the section headed “Other information” of this Appendix; and
- (c) the Underwriting Agreement.

**2. INTELLECTUAL PROPERTY RIGHTS OF THE GROUP**

As at the Latest Practicable Date, the Group is the owner of the internet domain name of “www.grandtop.com”.

**C. FURTHER INFORMATION ABOUT THE DIRECTORS AND EXPERTS****1. DISCLOSURE OF INTERESTS***(a) Disclosure of interests of Directors and experts*

- (i) During the two years immediately preceding the date of this prospectus, the Group had engaged in dealings with certain Directors and their associates as described in note (j) to section 3 of the accountants’ report set out in Appendix 1 to this prospectus; and
- (ii) each of Mr. Garry Siu and Mr. Edmund Siu is interested in the Group reorganisation referred to in the paragraph headed “Group reorganisation” in the section headed “Further information about the Company and its subsidiaries” of this Appendix.

*(b) Particulars of service agreements*

Each of Mr. Garry Siu, Mr. Edmund Siu and Mr. Edvon Sze, being all the executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from 1st October, 2002, renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the executive Director’s appointment, unless terminated by not less than three months’ notice in writing served by either party on the other expiring at the end of the

initial term or at any time thereafter. Each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after 1st April, 2003 at the discretion of the Directors of not more than 15% per annum of the annual salary immediately prior to such increase). In addition, each of Mr. Garry Siu, Mr. Edmund Siu and Mr. Edvon Sze is also entitled, in respect of each financial year of the Company, to a discretionary management bonus. The aggregate amount of the discretionary management bonuses payable to all the executive Directors for the time being of the Company must not exceed 5% of the audited consolidated or combined (as the case may be) net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year. An executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

	\$
Mr. Garry Siu	1,200,000
Mr. Edmund Siu	480,000
Mr. Edvon Sze	240,000

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

(c) *Directors' remuneration*

- (i) During the year ended 31st March, 2002, the aggregate emoluments paid by the Group to the Directors was approximately \$1.44 million.
- (ii) Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 31st March, 2003 are set out in section 7 of the accountants' report set out in Appendix 1 to this prospectus.

(d) *Interests of the Directors in the share capital of the Company after the Offer and the Capitalisation Issue*

Immediately following the Offer and the Capitalisation Issue, the interests of the Directors in the share capital 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 in which they are 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 in the register referred to therein, once the Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

Director	Number of Shares				Total interests
	Corporate interests	Personal interests	Family interests	Other interests	
Mr. Garry Siu	180,000,000	–	–	–	180,000,000
	<i>(Note)</i>				
Mr. Edmund Siu	180,000,000	–	–	–	180,000,000
	<i>(Note)</i>				

*Note:* These Shares will be registered in the name of Huge Gain. The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited. Nerine Trust Company Limited is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. As at the Latest Practicable Date, all the units issued by SB Unit Trust were held by family members of Mr. Siu Ban, co-founder of the Group and the discretionary objects of which include Mr. Garry Siu and Mr. Edmund Siu.

## 2. SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the Offer and the Capitalisation Issue and taking no account of Shares which may be taken up under the Offer, the following shareholders will be interested in more than 10% of the Shares then in issue:

<b>Name</b>	<b>Number of Shares</b>	<b>Percentage holding</b>
Huge Gain ( <i>Note</i> )	180,000,000	75%

*Note:* Huge Gain is an investment holding company. The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited. Nerine Trust Company Limited is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. As at the Latest Practicable Date, all the units issued by SB Unit Trust were held by family members of Mr. Siu Ban, co-founder of the Group and the discretionary objects of which include Mr. Garry Siu and Mr. Edmund Siu.

## 3. RELATED PARTY TRANSACTIONS

During the two years immediately preceding the date of this prospectus, the Group had engaged in related party transactions as described in note (j) to section 3 of the accountants' report set out in Appendix 1 to this prospectus.

## 4. DISCLAIMER

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Offer or any option which may be granted under the Share Option Scheme, the Directors are not aware of any person who immediately following the Offer will hold either directly or indirectly, or be beneficially interested in, Shares representing 10% or more of the share capital of the Company in issue and to be issued as mentioned herein;
- (b) none of the Directors has for the purposes of section 28 of the SDI Ordinance or the Listing Rules, nor is any of them taken to or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance, any interests in the shares of the Company or any associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance 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 once the Shares are listed on the Stock Exchange;
- (c) none of the Directors and the experts named in the paragraph headed "Qualification of experts" in the section headed "Other information" of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets 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 nor will any Director apply for Shares either in his own name or in the name of a nominee;

- (d) 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 Group taken as a whole; and
- (e) none of the experts named in the paragraph headed “Qualification of experts” in the section headed “Other information” in this Appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any company in the Group.

## D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by a written resolution of the sole shareholder of the Company passed on 22nd October, 2002 (the “**Adoption Date**”).

### 1. SUMMARY OF TERMS

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

The purpose of the Share Option Scheme is to enable the Company to grant options to full-time employees of the Group in recognition of their contribution to the Group.

#### (b) *Grant and acceptance of options*

Subject to the terms of the Share Option Scheme, the Directors may, at its absolute discretion, invite full-time employees of the Group including executive directors of the Company or any of its subsidiaries (“**Eligible Persons**”) to take up options to subscribe for Shares at a price calculated in accordance with paragraph (c) below.

An offer of the grant of an option shall be made to Eligible Persons by letter in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Persons concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the Adoption Date or after the Share Option Scheme has been terminated.

A non-refundable nominal consideration of \$1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Eligible Persons together with the said consideration of \$1.00 is received by the Company.

Any offer of the grant of an option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in such number of Shares as represents a board lot for the time being for the purpose of trading on the Stock Exchange or an integral multiple thereof.

#### (c) *Price of Shares*

The exercise price for Shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day, and (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) nominal value of Shares.



(d) *Maximum number of Shares*

- (i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not, when aggregate with any Shares subject to any other schemes, in aggregate exceed 10% of the number of Shares in issue upon listing of the Shares on the Stock Exchange (the “**Scheme Mandate Limit**”). The Company may seek approval by its shareholders in general meeting for “refreshing” the 10% limit under the scheme. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company (or its subsidiary) under the limit as “refreshed” must not exceed 10% of the relevant class of shares in issue as at the date of approval of the limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”.
- (ii) Subject to (iii) below, the Company may issue share options to specified participants over and above the Scheme Mandate Limit subject to shareholders’ approval in general meetings and the issue of a circular.
- (iii) 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 scheme of the Company must not exceed 30% of the total issued share capital of the Company from time to time.

The total number of Shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant to each Eligible Person shall not exceed 1% of the total issued share capital of the Company in issue unless (i) a shareholders’ circular is despatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to herein; and (iii) the relevant Eligible Person and its associates abstain from voting on the resolution.

The exercise of any option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of options.

(e) *Exercise of option*

Unless otherwise provided in the terms of the Share Option Scheme, an option may be exercised at any time during the period commencing on the expiry of six calendar months after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the Board to each grantee, but in any event not later than 10 years from the date of grant of option but subject to the early termination of the Share Option Scheme (the “**Option Period**”).

An option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a

remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

There is no performance target which must be achieved before any of the options can be exercised.

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

Grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting 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 and ending on the date of the results announcements.

*(g) Rights are personal to grantees*

An option is personal to the grantee and shall not be assignable. An option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest in favour of any third party.

*(h) Rights on dismissal or ceasing employment*

If the grantee of an option ceases to be an Eligible Person for any reason other than his death or the termination of his employment on one or more of the grounds of persistent or serious misconduct, bankruptcy, insolvency, composition with his creditors generally or conviction of any criminal offence or other ground on which an employer would be entitled to terminate his employment pursuant to any applicable laws, his option (to the extent not already exercised) will lapse on the date of cessation of his employment and shall not be exercisable unless the Board otherwise determines in which event, the option (or such remaining part thereof) shall be exercisable within such period as the Board may determine following the date of such cessation, which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

*(i) Rights on death*

If the grantee of an option ceases to be an employee of the Group by reason of his death and none of the events which would be ground for termination of his employment under paragraph (h) above occurs, his personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months following the date of his death (or such longer period as the Board may determine).

*(j) Cancellation of options*

Any cancellation of options granted but not exercised and the issue of new options to the same grantee may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the Scheme Mandate Limit referred to in

paragraph (d)(i) above. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

*(k) Effect of alterations to share capital*

In the event of any alteration in the capital structure of the Company while any option remains exercisable whether by way of capitalisation of profits or reserved, rights issue, consolidation or subdivision of Shares or reduction of the share capital of the Company (other than an issue of shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) will be made in (i) the number of Shares subject to any option so far as such option remains unexercised; and/or (ii) the subscription price per Share, as the auditors for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any option shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. Save in the case of a capitalisation issue, an independent financial adviser or the auditors for the time being of the Company must confirm to the Directors in writing that such adjustments satisfy the aforesaid requirements.

*(l) Rights on a general offer*

In the event of a general offer being made to all the holders of Shares (or all such holders other than the offeror and/or person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant option, the grantee (or his personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

*(m) Rights on winding up*

In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date or as soon as after it despatches such notice to each member of the Company give notice thereof to all grantees and any grantee (or his personal representative(s) provided none of the events which would be ground for termination of his employment under paragraph (h) above occurs) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant option (such notice to be received by the Company not later than two business days prior to the proposed general meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent that he may specify in his notice and 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 and issue such number of Shares to the grantee credited as fully paid.

*(n) Rights on a reconstruction, compromise or arrangement*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company to consider such a compromise or arrangement, and thereupon the grantee (or his personal representative(s)) may be notice in writing to the Company accompanied by a remittance of the full amount of the exercise price 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 the option (to the extent not already exercised) either to its full extent or to the extent specified in the notice and 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 meeting allot and issue such number of Shares to the grantee credited as fully paid.

*(o) Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank pari passu in all respects 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 dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

*(p) Duration and administration of the Share Option Scheme*

The Share Option Scheme has been adopted for a period of 10 years commencing from the date the Share Option Scheme becomes unconditional after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. The Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

*(q) Alterations to the terms of the Share Option Scheme*

- (i) The provisions relating to the matters set out in rule 17.03 of the Listing Rules cannot be altered to the advantage of participants without the prior approval of shareholders of the Company in a general meeting.
- (ii) Any alterations to the terms and conditions of the Share Option Scheme of the Company or any of its subsidiaries which are of a material nature or any change to the terms of options granted must be approved by the shareholders of the Company, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (iv) Any change to the authority of the Directors or the Share Option Scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders of the Company in a general meeting.

(r) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting approval of the scheme and any options which may be granted thereunder and the listing of and permission to deal in the Shares in issue at the date of adoption of the scheme and the Shares (not exceeding 10% of the Shares in issue upon listing of the Shares on the Stock Exchange) which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; and
- (ii) the passing of a written resolution to adopt the Share Option Scheme by the sole shareholder of the Company (such resolution was passed on 22nd October, 2002).

(s) *Grant of options to connected persons or any of their associates*

Any grant of options to a connected person (as defined in the Listing Rules) or its associates must be approval by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). Where options are proposed to be granted to a connected person who is also a substantial shareholder of the Company or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued Shares and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of \$5 million, then the proposed grant must be subject to the approval of shareholders taken on a poll in general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the shareholders' circular to be issued as stated below).

A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing (i) the number and terms of the options to be granted; (ii) containing a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) on whether or not to vote in favour of the proposed grant; (iii) containing information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees.

Any change in the terms of options granted to a connected person or its associates must be approved by shareholders in general meeting.

(t) *Lapse of option*

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

- (i) subject to paragraph (i) above, the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraph (h), (i), (l), (m) or (n) above;

- (iii) the date on which the grantee ceases to be an Eligible Person by reason of the termination of his employment on any one or more of the grounds under paragraph (h) above. A resolution of the Board or the board of directors of the Group to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified above shall be conclusive and binding on the grantee; or
  - (iv) the date on which the grantee commits a breach of paragraph (h) above.
- (u) *Termination*

The Company by ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provision of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted, including options exercised or outstanding under the Share Option Scheme, prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Details of the options granted, including options exercised or outstanding, under the Share Option Scheme shall be disclosed in the circular to shareholders of the Company seeking approval of the first new scheme to be established after such termination.

(v) *General*

The Company will comply with the relevant statutory requirements and the Listing Rules from time to time in force on a continuing basis in respect of the Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the Share Option Scheme shall be referred to the decision of the auditors of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final and binding.

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

(i) Application for approval

Application has been made to the Listing committee of the Stock Exchange for the approval of the listing of and permission to deal in up to 10% of the number of Shares in issue upon listing of the Shares on the Stock Exchange to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(ii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme. Exercise of any options to be granted under the Share Option Scheme will have a dilution effect on the shareholdings of the shareholders of the Company at the time of such exercise of options as well as the earning per Share for the relevant financial year of the Company.

**E. OTHER INFORMATION****1. ESTATE DUTY, TAX AND OTHER INDEMNITY**

Each of Mr. Garry Siu, Mr. Edmund Siu and Huge Gain (together the “Indemnifiers”) entered into a deed of indemnity on 29th October, 2002 (the “Deed”) with and in favour of the Company (being material contract (b) referred to in the paragraph headed “Summary of material contracts” in the section headed “Further information about the business” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group and/or its associated companies 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 on or before the date on which the Offer becomes unconditional. 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.

Under the Deed, each of the Indemnifiers has given indemnities to the Group on a joint and several basis in relation to taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Offer becomes unconditional, save in certain circumstances including:

- (a) to the extent that provision has been made for such Taxation (as defined in the Deed) in the audited accounts of any members of the Group including those as at 31st March, 2002;
- (b) where such liability has arisen as a result of any act or omission by any members of the Group (whether alone or in conjunction with some other act, omission or transaction whenever occurring) voluntarily effected without the consent of the Indemnifiers;
- (c) to the extent of any provision or reserve made for Taxation (as defined in the Deed) in the audited accounts of the Company as at 31st March, 2002 which is finally established to be an over-provision or any excessive reserve then the Indemnifiers’ liability (if any) in respect of Taxation (as defined in the Deed) shall be reduced by an amount not exceeding such over-provision or excessive reserve provided that the amount of any such provision or reserve applied pursuant to a provision in this paragraph to reduce the Indemnifiers’ liability in respect of such Taxation (as defined in the Deed) shall not be available in respect of any such liability arising thereafter in which event the Indemnifiers shall be obliged to indemnify each of the members of the Group against any liability, loss or damage arising from such liability.

In addition, in the event any member of the Group being legally prohibited from using or occupying or being legally evicted from the Hong Kong Premises (as defined in the Deed) before the expiration of the current term of the tenancy/lease, whether by the landlord or any third party whatsoever (including without limitation the existing mortgagee) on the ground that the consent of the existing mortgagee to the creation of the relevant tenancy agreement/lease has not been obtained, each of the Indemnifiers covenants with each member of the Group that he/it shall:

- (i) jointly and severally secure, within a period of two (2) calendar months, or such longer period as the Company may agree, for the use and occupation by the affected member of the Group of a property (the “**Substitute Premises**”) which is comparable and substantially similar to the affected Hong Kong Premises (as defined in the Deed) in location, area, layout, lease period, rental, user and facilities; and

- (ii) jointly and severally indemnify and at all times keep the Group and each member of the Group effectively indemnified against any costs, claims, losses and liabilities which may be reasonably incurred or suffered by it and any other liabilities of whatsoever nature arising therefrom, including without limitation:
- (1) any difference in rental payment between the Substitute Premises and the affected Hong Kong Premises for the remaining term of the relevant lease for the affected Hong Kong Premises;
  - (2) any costs or expenses arising from the relocation of the business or assets of the relevant member of the Group from the affected Hong Kong Premises (as defined in the Deed) to the Substitute Premises; and
  - (3) all operating and business losses which any member of the Group may suffer arising from a relocation of its business from the affected Hong Kong Premises to the Substitute Premises.

## **2. LITIGATION**

None of the Company and its subsidiaries are engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## **3. SPONSORS**

CSC Asia and First Asia have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

## **4. PRELIMINARY EXPENSES**

The estimated preliminary expenses of the Company are approximately US\$2,500 (equivalent to approximately \$19,500) and are payable by the Company.

## **5. PROMOTER**

The promoter of the Company is Mr. Garry Siu. Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to Mr. Garry Siu in connection with the Offer or the related transactions described in this prospectus.



## 6. QUALIFICATION OF EXPERTS

The qualifications of the experts who have given opinions in this prospectus and/or whose names are included in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
CSC Asia	Investment adviser registered under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong)
First Asia	Investment adviser registered under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong)
HLB Hodgson Impey Cheng	Chartered accountants Certified public accountants
DTZ Debenham Tie Leung Limited	Professional surveyors
American Appraisal Hongkong Limited	Property valuer
Conyers Dill & Pearman, Cayman	Cayman Islands barristers and attorneys

## 7. CONSENTS OF EXPERTS

CSC Asia, First Asia, HLB Hodgson Impey Cheng, DTZ Debenham Tie Leung Limited, American Appraisal Hongkong Limited and Conyers Dill & Pearman, Cayman have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation, letters or opinions (as the case may be) and the references to their names or summaries of opinions included in this prospectus in the form and context in which they respectively appear.

## 8. BINDING EFFECT

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

## 9. PARTICULARS OF THE VENDOR

<b>Name</b>	<b>Date and place of incorporation</b>	<b>Registered address</b>	<b>Number of Sale Shares</b>
Huge Gain (Note)	18th January, 2002, BVI	Jipfa Building, 3rd Floor, Road Town, Tortola, BVI	24,000,000

*Note:* Huge Gain is an investment holding company. The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited. Nerine Trust Company Limited is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. As at the Latest Practicable Date, all the units issued by SB Unit Trust were held by family members of Mr. Siu Ban, co-founder of the Group and the discretionary objects of which include Mr. Garry Siu and Mr. Edmund Siu.

Save as disclosed herein, none of the Directors is interested in the Offer for Sale.

## **10. TAXATION OF HOLDERS OF SHARES**

- (a) Dealings in Shares will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the 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.
- (b) The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares.
- (c) The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty the current rate of which is \$2.00 for every \$1,000 (or part thereof) of the consideration or, if higher, the fair value of the Shares being sold or transferred.
- (d) Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

## **11. MISCELLANEOUS**

- (a) Save as disclosed herein:
  - (i) within the two years immediately preceding the date of this prospectus:
    - (aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
    - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
  - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
  - (iii) there has been no material adverse change in the financial position or prospects of the Group since 31st March, 2002 (being the date to which the latest audited combined financial statements of the Group were made up).
- (b) The Company has no founder shares, management shares or deferred shares.

- (c) The register of members of the Company will be maintained in the Cayman Islands by Bank of Bermuda (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tengis Limited. Unless the Directors agree otherwise, all transfers and other documents of title of Shares must be lodged for registration with and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.
  
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.