

(1) FURTHER INFORMATION ABOUT OUR COMPANY**(A) Incorporation**

The Company was established as a limited liability company in the Cayman Islands under the Companies Law on 21 November 2003.

We are registered as an overseas company under Part XI of the Hong Kong Companies Ordinance and our principal place of business in Hong Kong is at 6/F, No. 3 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong. Leung Kwong Wai of Flat A1-1 Summit Court, 144 Tin Hau Temple Road, North Point, Hong Kong, the authorised representative of our Company for the purposes of Part XI of the Hong Kong Companies Ordinance, has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

As we are established in the Cayman Islands, our Company and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Articles of Association is set out in Appendix III.

(B) Changes in share capital of the Company

The Company was incorporated with an authorised share capital of HK\$500,000,000 divided into 5,000,000,000 Shares with a par value of HK\$0.10 each.

On 17 December 2003, one subscriber Share was transferred to and held by Leung Kwong Wai for cash at par.

On 23 December 2003, the Group underwent a reorganisation, details of which are set out in the section headed "The Reorganisation" below.

On 22 March 2004, 70,000,000 Shares and 119,000,000 Shares were allotted and issued to Cardio Investments Limited and HSBC International Trustee Limited, respectively, at par, credited as fully paid in connection with the Pre-IPO Loyalty Plan, pre-IPO share reward plan (being part of the Pre-IPO Stock Reward Scheme) and the Share Award Plan.

Immediately following the Global Offering becoming unconditional and the issue of Offer Shares as mentioned in this prospectus being made (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the subscription right attached to the options that have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option), the authorised share capital of the Company will be HK\$500,000,000 divided into 5,000,000,000 Shares, of which 2,414,318,351 Shares will be issued fully paid or credited as fully paid, and 2,585,681,649 Shares will remain unissued. Other than pursuant to the exercise of any options which were granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, the Company does not have any present intention to issue any of the authorised but unissued share capital and, without the prior approval of the shareholders of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in the section entitled "Further Information about our Company — Resolutions passed at an extraordinary general meeting of the Company" in this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

(C) Changes in share capital of our subsidiaries

Our subsidiaries are set out in the Accountants' Report in Appendix I to this prospectus. The following alterations in the share capital or registered capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus.

Solomon Systech Limited

Pursuant to the annual general meeting of Solomon Systech Limited held on 24 June 2002, on 28 June 2002, a total of 16,496,122 ordinary shares of par value of HK\$1.00 each were allotted and issued at par, credited as fully paid, to the groups of persons or entities set out below, by way of capitalisation of the sums standing to the credit of the reserves account of Solomon Systech Limited. The particulars of the said allotment and issue on 28 June 2002 are as follows:

- (1) 1,622,650 ordinary shares were allotted and issued at par to Taiwan Special Opportunities Fund II;
- (2) 868,900 ordinary shares were allotted and issued at par to Solomon Systech (BVI) Limited;
- (3) 811,300 ordinary shares were allotted and issued at par to Wintek Technology (Cayman) Corporation;
- (4) 757,332 ordinary shares were allotted and issued at par to Wintek (B.V.I.) Corporation;
- (5) 342,125 ordinary shares were allotted and issued at par to Picvue Electronics, Limited;
- (6) 219,287 ordinary shares were allotted and issued at par to CDIB High Tech Investment Inc.;
- (7) 1,666,275 ordinary shares were allotted and issued at par to Extreme Performance Limited;
- (8) an aggregate of 6,922,711 ordinary shares were allotted and issued at par to Solomon Technology Corporation and its subsidiaries and associated corporations; and
- (9) an aggregate of 3,285,542 ordinary shares were allotted and issued at par to various directors, management members and employees of the Group, and various individual investors.

Pursuant to the annual general meeting of Solomon Systech Limited held on 24 June 2002, on 29 June 2002, 1,832,900 ordinary shares of par value of HK\$1.00 each were allotted and issued at par, credited as fully paid, to Solomon Systech (BVI) Limited, by way of capitalisation of the sums standing to the credit of the reserves account of Solomon Systech Limited.

Pursuant to the annual general meeting of Solomon Systech Limited held on 8 April 2003, on 14 April 2003, 5,295,000 ordinary shares of par value of HK\$1.00 each were allotted and issued at par, credited as fully paid, to Solomon Systech (BVI) Limited, by way of capitalisation of the sums standing to the credit of the reserves account of Solomon Systech Limited.

晶門科技(深圳)有限公司 (Solomon Systech (Shenzhen) Limited)

On 9 May 2003, 晶門科技(深圳)有限公司 (Solomon Systech (Shenzhen) Limited) increased its permitted registered capital from HK\$4,000,000 to HK\$8,000,000. On 17 June 2003, Systech Technology China Limited contributed a sum of HK\$4,000,000 as the increased amount in the registered capital of 晶門科技(深圳)有限公司 (Solomon Systech (Shenzhen) Limited).

Solomon Systech Inc.

On 24 March 2003, Solomon Systech Inc. was incorporated under the laws of the State of California, the United States with an authorised capital stock of 10,000,000 common shares, and on 10 April 2003, 20,000 common shares were allotted and issued to Solomon Systech Limited at a total consideration of US\$20,000.

Ample Pacific Limited

On 2 January 2004, Ample Pacific Limited was incorporated in British Virgin Islands, with an authorised share capital of US\$50,000, and on 25 February 2004, 50,000 ordinary shares of US\$1.00 each in Ample Pacific Limited were allotted and issued at par, credited as fully paid, to the Company.

(D) Changes in shareholding structure of Solomon Systech Limited

The changes in the shareholding structure of Solomon Systech Limited since October 1999 (up to the date immediately after the completion of the Global Offering, but assuming that the Over-allotment Option is not exercised) are set out in the chart below:

	October 1999 (upon establishment of Solomon Systech Limited) (Note 13)	June 2001 (after first series of disposals of shares by Solomon Technology Corporation ("STC")) (Note 13)	June 2002 (after second disposal of shares by STC) (Note 13)	December 2002 (after third disposal of shares by STC) (Note 13)	January 2003 (after last disposal of shares by STC) (Note 13)	December 2003 (immediately before Reorganisation) (Note 13)	Immediately before the Global Offering (Note 14)	Immediately after the Global Offering (Note 14)
Directors (Note 1).....	3.4%	3.6%	4.4%	4.6%	9.8%	11.1%	10.1%	8.1%
Senior Management (Note 2)	2.6%	2.8%	3.3%	4.4%	5.1%	5.7%	5.2%	3.6%
Other Employees (Note 3).....	1.7%	2.0%	2.4%	2.2%	2.9%	4.3%	3.9%	3.1%
Solomon Technology Corporation (Note 4).....	70.0%	52.1%	41.5%	6.5%	0.0%	0.0%	0.0%	0.0%
CIDC Funds (Note 5).....	0.0%	0.0%	0.0%	28.5%	28.5%	27.7%	25.2%	21.4%
CIDC Funds for Solomon Systech Limited employees (Note 5)...	0.0%	0.0%	0.0%	6.5%	6.5%	6.3%	0.0%	0.0%
Extreme Performance Limited (Note 6).....	0.0%	0.0%	10.0%	10.0%	10.0%	9.7%	8.8%	5.1%
Customers (Note 7).....	0.0%	11.6%	11.5%	11.5%	11.5%	11.1%	10.1%	7.0%
Trustee under Share Award Plan (Note 8).....	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%	1.9%
Trustee under Pre-IPO Loyalty Plan and Pre-IPO Stock Reward Scheme (Note 9).....	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.0%	6.0%
Cardio Investments Limited under Pre-IPO Share Purchase Scheme and Pre-IPO Stock Reward Scheme (Note 10)	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	8.4%	7.2%
Others (Note 11).....	22.3%	27.9%	26.9%	25.8%	25.7%	21.1%	19.1%	11.6%

Notes:

- This category comprises six Directors, being Mr. Leung Kwong Wai, Mr. Huang Hsing-Hua, Mr. Lo Wai Ming, Mr. Lai Woon Ching, Mr. Chang Ching-Yi, Steven and Mr. Lam Pak-Lee.

Mr. Leung Kwong Wai, Mr. Lo Wai Ming and Mr. Lai Woon Ching first acquired their interests in Solomon Systech Limited ("SSL") in October 1999 by subscribing for shares of SSL of HK\$1.00 each ("SSL Shares") at par. Each of them subsequently increased his interest in SSL through subscription for SSL Shares (at a consideration of HK\$1.60 per SSL Share) and under rights issue (at a consideration of HK\$2 per SSL Share) in May 2001, under employee share scheme and bonus issues in June 2001 and June 2002, and purchase of SSL Shares from STC (at a consideration of HK\$1.86 per SSL Share) in February 2003.

Mr. Huang Hsing-Hua first acquired his interest in SSL in October 1999 by subscribing for SSL Shares at par. He subsequently increased his interest in SSL under rights issue (at a consideration of HK\$2 per SSL Share) in May 2001, purchase of SSL Shares from STC (at a consideration of HK\$2 per SSL Share) in June 2001, under bonus issues in June 2001 and June 2002, and purchase of SSL Shares from STC (at a consideration of HK\$1.86 per SSL Share) in February 2003.

Mr. Chang Ching-Yi, Steven acquired his interest in SSL in January 2003 by purchasing SSL Shares from employees of STC (at a consideration of HK\$1.86 per SSL Share).

Mr. Lam Pak-Lee acquired his interest in SSL in January 2003 by purchasing SSL Shares from STC and employees of STC (at a consideration of approximately HK\$1.86 per SSL Share).

2. This category comprises six senior management members of the Company, being Mr. Lin Hsin-Yih, Mr. Lai Wai-Yan, Stephen, Ms. Lui Kit Har, Keziah, Mr. Cheung Hung Fai, Mr. Chen Denkwei, Kevin and Ms. Lo Oi Yee, Mabel. The said management members acquired their interests in SSL through subscription for SSL Shares (at par) in October 1999, subscription for SSL Shares (at a consideration of HK\$1.60 per SSL Share) and/or under rights issue (at a consideration of HK\$2 per SSL Share) in May 2001, purchase of SSL Shares from STC (at a consideration of HK\$2 per SSL Share) in June 2001, under employee share scheme and/or bonus issue in June 2001 and/or June 2002, and/or purchase of SSL Shares from STC (at a consideration of HK\$1.86 per SSL Share) in February 2003.
3. This category comprises around 65 employees, not being Directors or senior management members, of the Group. The said employees acquired their interests in SSL through subscription for SSL Shares (at par) in October 1999, subscription for SSL Shares (at a consideration of HK\$1.60 per SSL Share) and/or under rights issue (at a consideration of HK\$2 per SSL Share) in May 2001, under employee share scheme and/or bonus issue in June 2001 and/or June 2002, and/or purchase of SSL Shares from STC (at a consideration of HK\$1.86 per SSL Share) in February 2003.
4. STC first acquired its interest in SSL in December 1997 by subscribing for SSL Shares at par and then in October 1999 by subscribing for additional SSL Shares at par, increasing its interest to approximately 70% of the issued share capital of SSL in October 1999. STC subsequently disposed of its interest in SSL through a series of disposals of its SSL Shares to various customers of SSL and a venture capital fund (at a consideration of HK\$2.00 per SSL Share) in March 2001, to Extreme Performance Limited (at a consideration of HK\$2.60 per SSL Share) in June 2002, to various private equity funds managed by China International Development Consulting, Inc. (at a consideration of HK\$1.86 per SSL Share) in December 2002, and to Mr. Lam Pak-Lee, a Director, and to various individual shareholders of SSL (at a consideration of HK\$1.86 per SSL Share) in January 2003.
5. This category comprises eight venture capital funds, namely, China Power Venture Capital Co., Ltd., Global Vision Venture Capital Co., Ltd., China International Investment Co., Ltd., CAM-CID Asia Pacific Investment Corp., Nien Hsing International Investment Co., China Century Venture Capital Co., Ltd., J&D Capital Corp. and A&D Capital Corp. (the "CIDC Funds"). These funds are managed by the same fund manager. The CIDC Funds first acquired their interests in SSL in December 2002 by purchasing SSL Shares from STC (at a consideration of HK\$1.86 per SSL Share), representing approximately 35% of the then issued share capital of SSL. Out of the said approximately 35% interest, the CIDC Funds agreed to sell approximately 6.5% of such interest to various employees of SSL under the Pre-IPO Share Purchase Scheme (at a consideration of HK\$1.74 for each SSL Share). Please refer to the section "Pre-IPO Schemes" of this Appendix for details on the Pre-IPO Share Purchase Scheme.
6. Extreme Performance Limited first acquired its interest in SSL in June 2002 by purchasing SSL Shares from subsidiaries of STC (at a consideration of HK\$2.60 per SSL Share). Extreme Performance Limited subsequently increased its interest in SSL under a bonus issue in June 2002.
7. Customers of the Group comprise the following:
 - (a) Wintek Corporation first acquired its interest in SSL in March 2001, through Wintek Technology (Cayman) Corporation and Wintek (B.V.I.) Corporation, by purchasing SSL Shares from subsidiaries of STC (at a consideration of HK\$4.70 per SSL Share). Wintek Corporation subsequently increased its interest in SSL under a rights issue (at a consideration of HK\$2 per SSL Share) in May 2001 and bonus issues in June 2001 and June 2002.
 - (b) Picvue Electronics, Limited first acquired its interest in SSL in March 2001 by purchasing SSL Shares from subsidiaries of STC (at a consideration of HK\$4.70 per SSL Share). Picvue Electronics, Limited subsequently increased its interest in SSL under a rights issue (at a consideration of HK\$2 per SSL Share) in May 2001 and bonus issues in June 2001 and June 2002.
8. These Shares comprise existing Shares which were transferred by Cardio Investments Limited to, and new Shares allotted and issued to, the Trustee before completion of the Global Offering, for the purposes of holding these Shares on trust for the purposes of making awards under the Share Award Plan after the Listing. These Shares will not be awarded to officers or employees of the Group prior to the Listing. Further details of the Share Award Plan are set out in the paragraph headed "Continuing Schemes — Share Award Plan" in this Appendix.

9. This category comprises Shares awarded to Directors, senior management members and other employees of the Group before completion of the Global Offering, and held by the Trustee as custodian for the Pre-IPO Loyalty Plan and trustee for the pre-IPO share reward plan (being part of the Pre-IPO Stock Reward Scheme) adopted by the Company during specified lock-up and vesting periods respectively. Further details of the Pre-IPO Loyalty Plan and the Pre-IPO Stock Reward Scheme are set out in the section headed "Pre-IPO Schemes" in this Appendix.
10. This category comprises Shares awarded to Directors, senior management members and other employees of the Group before completion of the Global Offering, and held by Cardio Investments Limited as trustee for the Pre-IPO Share Purchase Scheme and the employee share reward plan (being part of the Pre-IPO Stock Reward Scheme) adopted by Solomon Systech Limited for specified lock-up periods. Further details of the Pre-IPO Share Purchase Scheme and the Pre-IPO Stock Reward Scheme are set out in the section headed "Pre-IPO Schemes" in this Appendix.
11. This category includes around 22 shareholders. These 22 shareholders acquired their interests in SSL through subscription for SSL Shares in October 1999 at par, and/or under rights issue (at a consideration of HK\$2 per SSL Share) in May 2001, purchase of SSL Shares from STC (at a consideration of HK\$2 per SSL Share) in June 2001, under bonus issues in June 2001 and/or June 2002, and/or purchase of SSL Shares from employees of STC (at a consideration of HK\$1.86 per SSL Share) in January 2003.
12. The rights issue of SSL referred to in the notes above was undertaken at a consideration of HK\$2.00 for each SSL Share.
13. These figures represent percentage shareholdings in Solomon Systech Limited.
14. These figures represent percentage shareholdings in the Company.

(E) Resolutions passed at an extraordinary general meeting of the Company

At an extraordinary general meeting of the Company which was held on 25 February 2004, it was resolved that, inter alia:

- (a) conditional on the obligations of the underwriters under the Underwriting Agreements relating to the Global Offering becoming unconditional and not having been terminated in accordance with the terms of each of such agreements and,
 - (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all the Shares in issue and the Shares to be issued as mentioned in this Prospectus, the Global Offering was approved, and the proposed allotment and issue of the Offer Shares (including any new Shares that may fall to be issued by the Company under the Over-allotment Option) under the Global Offering was approved, and the Directors were authorised to allot and issue such Shares;
 - (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant approval for the listing of, and permission to deal in, any Shares which may fall to be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme, the rules of the Pre-IPO Share Option Scheme were approved, subject to such modifications as may be decided by the Board (or any committee thereof established by the Board), and the Board or any such committee was authorised, at its absolute discretion, to grant options to subscribe for up to 6,300,000 Shares thereunder, to allot, issue and deal with Shares pursuant to the exercise of the options which may be granted under the Pre-IPO Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Pre-IPO Share Option Scheme;
 - (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant approval of the Share Option Scheme and any options which may be granted thereunder and the granting of the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any options under the Share Option Scheme, the rules of the Share Option Scheme were approved, subject to such modifications as may be decided by the Board (or any committee thereof established by the Board), and the Board or any such committee was authorised, at its absolute discretion, to grant options to subscribe for Shares 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 to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(b) the rules of the Share Award Plan were approved, and that the Directors were authorised to capitalise up to the sum of HK\$4,400,000 from the retained earnings of the Company and apply the said sum in paying up in full at par up to 44,000,000 ordinary Shares, such Shares to be allotted and issued credited as fully paid at par to a trustee appointed for the purposes of the Share Award Plan who will hold the same for the purpose of making awards thereunder, subject to such modifications as may be decided by the Board (or any committee thereof established by the Board), and the Board or any such committee was authorised, at its absolute discretion, to allot, issue and deal with the above-mentioned Shares and to take all such steps as may be necessary or desirable to implement the Share Award Plan;

(c) the rules of the Pre-IPO Loyalty Plan were approved, and that the Directors were authorised to capitalise up to the sum of HK\$7,000,000 from the retained earnings of the Company and apply the said sum in paying up in full at par up to 70,000,000 ordinary Shares, such Shares to be allotted and issued credited as fully paid at par to a custodian or a trustee appointed for the purpose of the Pre-IPO Loyalty Plan who will then hold the same for the purpose of making awards thereunder, subject to such modifications as may be decided by the Board (or any committee thereof established by the Board), and the Board or any such committee was authorised, at its absolute discretion, to allot, issue and deal with the above-mentioned Shares and to take all such steps as may be necessary or desirable to implement the Pre-IPO Loyalty Plan;

(d) the rules of the pre-IPO share reward plan were approved, and that the Directors were authorised to capitalise up to the sum of HK\$7,500,000 from the retained earnings of the Company and apply the said sum in paying up in full at par up to 75,000,000 ordinary Shares, such Shares to be allotted and issued credited as fully paid at par to a trustee appointed for the purposes of the pre-IPO share reward plan who will hold the same for the purpose of making awards thereunder, subject to such modifications as may be decided by the Board (or any committee thereof established by the Board), and the Board or any such committee was authorised, at its absolute discretion, to allot, issue and deal with the above-mentioned Shares and to take all such steps as may be necessary or desirable to implement the pre-IPO share reward plan;

(e) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of (a) a Rights Issue (as hereinafter defined); or (b) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association; or (c) any specific authority granted by the Shareholders of the Company in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, including any Shares which may fall to be issued pursuant to the exercise of Over-allotment Option;

(f) a general unconditional mandate was given to the Directors to exercise all powers of the Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering including any Shares which may fall to be issued pursuant to the exercise of Over-allotment Option;

(g) the general unconditional mandate as mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by the Company pursuant to the mandate to purchase Shares referred to in paragraph (f) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, including any Shares which may fall to be issued pursuant to exercise the Over-allotment Option); and

(h) conditional upon the Listing, the Company adopted the Memorandum of Association and the Articles.

For the purposes of paragraph (e) above, **“Rights Issue”** means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as the Directors may deem necessary or expedient (but in compliance with the relevant provisions of the Stock Exchange Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).

Each of the general mandates referred to in paragraphs (e), (f) and (g) above will remain in effect until whichever is the earliest of (1) the conclusion of the next annual general meeting of the Company; (2) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law or the Articles; or (3) the time when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.

(2) THE REORGANISATION

On 23 December 2003, we acquired the entire issued share capital of Solomon Systech Limited from the groups of persons or entities whose details are set out below, in consideration of the allotment and issue of an aggregate of 1,885,852,710 Shares to the said groups of persons or entities, in the ratio of one share in Solomon Systech Limited to ten Shares.

The particulars of the said allotment and issue of Shares on 23 December 2003 are as follows:

- (1) 188,675,980 Shares were allotted and issued to China Power Venture Capital Co., Ltd.;
- (2) 188,675,980 Shares were allotted and issued to Global Vision Venture Capital Co., Ltd.;
- (3) 37,735,200 Shares were allotted and issued to China International Investment Co., Ltd.;
- (4) 37,735,200 Shares were allotted and issued to CAM-CID Asia Pacific Investment Corp.;
- (5) 37,735,200 Shares were allotted and issued to Nien Hsing International Investment Co.;
- (6) 18,867,590 Shares were allotted and issued to China Century Venture Capital Co., Ltd.;
- (7) 18,867,590 Shares were allotted and issued to J&D Capital Corp.;
- (8) 113,205,580 Shares were allotted and issued to A&D Capital Corp.;
- (9) 183,290,280 Shares were allotted and issued to Extreme Performance Limited;
- (10) 178,491,500 Shares were allotted and issued to Taiwan Special Opportunities Fund II;

- (11) 37,633,750 Shares were allotted and issued to Picvue Electronics, Limited;
- (12) 89,243,000 Shares were allotted and issued to Wintek Technology (Cayman) Corporation;
- (13) 83,306,570 Shares were allotted and issued to Wintek (B.V.I.) Corporation;
- (14) 24,121,620 Shares were allotted and issued to CDIB High Tech Investment Inc.;
- (15) an aggregate of 589,264,150 Shares were allotted and issued to various directors, management members and employees of the Group, and various individual investors;
- (16) 2,553,520 Shares were allotted and issued to Solomon Systech (BVI) Limited; and
- (17) 56,450,000 Shares were allotted and issued to Cardio Investments Limited.

On 23 December 2003, our Company transferred one share of HK\$1.00 in Solomon Systech Limited to Mr. Leung Kwong Wai. On 23 December 2003, Mr. Leung Kwong Wai executed a declaration of trust in favour of our Company in respect of the said one share in Solomon Systech Limited.

On 24 December 2003, Mr. Leung Kwong Wai, a director of the Company, acquired from Solomon Systech Limited one share of US\$1.00 in the issued share capital of Solomon Systech (BVI) Limited, being the entire issued share capital of Solomon Systech (BVI) Limited, at a consideration of US\$1.00.

On 24 December 2003, each of Ms. Lui Kit Har, Keziah and Mr. Lai Woon Ching subscribed for one share of US\$1.00 in the issued share capital of Solomon Systech (BVI) Limited, each at a consideration of US\$1.00. Following such acquisition and subscription, Solomon Systech (BVI) Limited is owned as to approximately 33.33% by each of Mr. Leung Kwong Wai, Ms. Lui Kit Har, Keziah and Mr. Lai Woon Ching. Solomon Systech (BVI) Limited was previously the trustee of certain employee share schemes of the Group, but has already ceased to assume such role. Accordingly, the above steps were taken to transfer Solomon Systech (BVI) Limited outside our Group.

(3) REPURCHASE OF OUR SHARES

This section includes information relating to our repurchase of Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(A) Relevant legal and regulatory requirements in Hong Kong

The Stock Exchange Listing Rules permit shareholders to grant a general mandate to the directors to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting.

(a) Shareholders' approval

All our proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our shareholders on 25 February 2004, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of the Company's share capital in issue immediately following the completion of the Global Offering (including the Shares which may be issued under the Over-allotment Option).

(b) Source of funds

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of our funds which would otherwise be available for dividend or distribution or out of an issue of new shares made for the purpose of the repurchase.

(c) Trading restrictions

The total number of Shares which we may repurchase is up to 10% of the total number of the Shares in issue immediately after the completion of the Global Offering (including the Shares which may be issued under the Over-allotment Option). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. In addition, subject to the then prevailing requirements of the Stock Exchange Listing Rules from time to time, repurchases of Shares on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of Shares on the Stock Exchange in the immediately preceding calendar month. We are also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Stock Exchange Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange.

(d) Status of repurchased shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) Suspension of repurchase

Pursuant to the Stock Exchange Listing Rules, we may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Stock Exchange Listing Rules in force as at the date hereof, during the period of one month immediately preceding either the preliminary announcement of our annual results or the publication of our interim report, (or, subject to and upon the amendments to the Stock Exchange Listing Rules announced on 30 January 2004 taking effect, during the period of 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 the Stock Exchange Listing Rules) for the approval of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Stock Exchange Listing Rules); and (ii) the deadline for us to publish an announcement of our results for any year or half-year under the Stock Exchange Listing Rules, or quarterly or any other interim period (whether or not required under the Stock Exchange Listing Rules), and in each case ending on the date of the results announcement) we may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if we have breached the Stock Exchange Listing Rules.

(f) Procedural and reporting requirements

As required by the Stock Exchange Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which we may make a purchase of Shares, reporting the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(g) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “connected person” (as defined in the Stock Exchange Listing Rules) and a connected person shall not knowingly sell his securities to the company on the Stock Exchange.

(B) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and shareholders for our Directors to have general authority from our shareholders to enable us 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 where our Directors believe that such repurchases will benefit our Company and shareholders.

(C) Funding of repurchases

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

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

The exercise in full of the Repurchase Mandate, on the basis of 2,414,318,351 Shares in issue immediately after the Global Offering (and assuming that the Over-allotment Option is not exercised), could accordingly result in up to 241,431,835 Shares being repurchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of the Company; (2) the expiration of the period within which the next annual general meeting of the Company is required by Cayman Islands law or the Articles to be held; or (3) the revocation or variation of the purchase mandate by ordinary resolution of shareholders in a general meeting, whichever occurs first (the “Relevant Period”). If the Over-allotment Option is exercised in full, the exercise in full of the Repurchase Mandate on the basis of 2,504,854,351 Shares in issue immediately after the Global Offering could result in up to 250,485,435 Shares being repurchased by our Company during the Relevant Period.

(D) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Stock Exchange Listing Rules) currently intends to sell any Shares to us.

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

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase 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 approval of the Stock Exchange to waive the Stock Exchange 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 Stock Exchange Listing Rules) has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

(4) FURTHER INFORMATION ABOUT OUR BUSINESS**(A) Summary of our material contracts**

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

- (a) three sets of instruments of transfer and bought and sold notes, all dated 20 February 2003, signed by Solomon Systech Limited and each of So Pak Wing, Lin Hsin Yih and Leung Kwong Wai, in relation to the acquisition of the entire issued share capital of Systech Technology China Limited by Solomon Systech Limited, at a consideration of HK\$1,500, HK\$1,500 and HK\$6,999, respectively;
- (b) a trust deed executed between Solomon Systech Limited and Cardio Investments Limited dated 29 July 2003, in relation to the establishment of the trust constituting the Pre-IPO Share Purchase Scheme;
- (c) a deed of variation executed by Solomon Systech Limited dated 9 December 2003 in relation to the variation of the trust deed constituting the Pre-IPO Share Purchase Scheme dated 29 July 2003;
- (d) a sale and purchase agreement executed between Solomon Systech (BVI) Limited and our Company dated 10 December 2003 in relation to the acquisition of shares in Solomon Systech Limited described in the section headed "The Reorganisation" of this Appendix;

(e) 104 sets of sale and purchase agreements, all dated 10 December 2003, signed by our Company and each of (1) China Power Venture Capital Co., Ltd.; (2) Global Vision Venture Capital Co., Ltd.; (3) China International Investment Co., Ltd.; (4) CAM-CID Asia Pacific Investment Corp.; (5) Nien Hsing International Investment Co.; (6) China Century Venture Capital Co., Ltd.; (7) J&D Capital Corp.; (8) A&D Capital Corp.; (9) Extreme Performance Limited; (10) Taiwan Special Opportunities Fund II; (11) Picvue Electronics, Limited; (12) Wintek Technology (Cayman) Corporation; (13) Wintek (B.V.I.) Corporation; (14) CDIB High Tech Investment Inc.; (15) Chang Chih Cheng; (16) Chang Ching Yi; (17) Chen Chung Yang; (18) Huang Shih Che; (19) Chen Ling; (20) Cheng Siu-ang; (21) Cheung Hing Kau; (22) Cheung Shu Wing; (23) Chou Kuang-Jen; (24) Huang Yi Chang; (25) Hui Tao Tony; (26) Kwan Wing Ki; (27) Lam Pak Lee; (28) Law Fu Yiu; (29) Lee Ki Yan; (30) Lin Hsin-Yih; (31) Liu Kwok Wai; (32) Liu Margaret; (33) Liu Pen Chieh; (34) Mui Kin Ching; (35) Ng Chi Man; (36) Tu Simon; (37) Wang Kuh Ping; (38) Ng Ka Shing; (39) Au Wai Kong Alfred; (40) Chan Ka Yee; (41) Chan Kai Leung; (42) Chan Sze Yin Yvonne; (43) Chan Wing Chun; (44) Chau Tak Chi; (45) Che Pak Lam; (46) Chen Denkwei, Kevin; (47) Cheung Hiu Kwan; (48) Cheung Hung Fai; (49) Cheung Ka Wai; (50) Chiou Yu Ping Julia; (51) Chiu Jimmy; (52) Chow Chi Kwong; (53) Chow So Ching; (54) Chu Chi Wa; (55) Fung Kin Nam; (56) Ho Pui Man; (57) Ho Tung Sang; (58) Ho Yiu Fai; (59) Huang Hsin-Hua; (60) Huang Mu Yao; (61) Ke Pie Chih; (62) Kong Ngai Ying; (63) Kwok Ka Shing Henry; (64) Lai Wai Yan Stephen; (65) Lai Woon Ching; (66) Law Ka Man; (67) Law Kai Fung; (68) Law Yin Yan Angela; (69) Lee Cheung Fai; (70) Lee Mei Yiu; (71) Lee Swee Huat Terry; (72) Lei Yiu Sang James; (73) Leung Chi Wah; (74) Leung Chui Kwan; (75) Leung Ka Chai; (76) Leung Ka Kuen; (77) Leung Kwong Wai; (78) Leung Wai Hung; (79) Li Kong Ping Andy; (80) Lo Johnkid; (81) Lo Oi Yee Mabel; (82) Lo Wai Ming; (83) Lui Kit-har, Keziah; (84) Ma Kar Chun; (85) Ng Chun Ting; (86) Ng Chung Yee; (87) Ng Kin Wai; (88) Ng Sing; (89) Ng Tsz Kit Alex; (90) Ni Chun Hao; (91) Sin Chi Wai Albert; (92) So Man Fai; (93) Tam Kin Keung; (94) Tam Wing Yu; (95) Tsang Bute Kwok; (96) Tsang Chi Yung; (97) Tse Kin Sun; (98) Tse Sau Kuen; (99) Wan Ka Ho David; (100) Wang Hongwei; (101) Wong Ka Man; (102) Wong Kwok Wing; (103) Wong Wai Yu; and (104) Yeung Wai Nga, in relation to the acquisition of shares in Solomon Systech Limited described in the section headed "The Reorganisation" of this Appendix;

(f) 104 sets of instruments of transfer and bought and sold notes, all dated 17 December 2003, signed by our Company and each of (1) China Power Venture Capital Co., Ltd.; (2) Global Vision Venture Capital Co., Ltd.; (3) China International Investment Co., Ltd.; (4) CAM-CID Asia Pacific Investment Corp.; (5) Nien Hsing International Investment Co.; (6) China Century Venture Capital Co., Ltd.; (7) J&D Capital Corp.; (8) A&D Capital Corp.; (9) Extreme Performance Limited; (10) Taiwan Special Opportunities Fund II; (11) Picvue Electronics, Limited; (12) Wintek Technology (Cayman) Corporation; (13) Wintek (B.V.I.) Corporation; (14) CDIB High Tech Investment Inc.; (15) Chang Chih Cheng; (16) Chang Ching Yi; (17) Chen Chung Yang; (18) Huang Shih Che; (19) Chen Ling; (20) Cheng Siu-ang; (21) Cheung Hing Kau; (22) Cheung Shu Wing; (23) Chou Kuang-Jen; (24) Huang Yi Chang; (25) Hui Tao Tony; (26) Kwan Wing Ki; (27) Lam Pak Lee; (28) Law Fu Yiu; (29) Lee Ki Yan; (30) Lin Hsin-Yih; (31) Liu Kwok Wai; (32) Liu Margaret; (33) Liu Pen Chieh; (34) Mui Kin Ching; (35) Ng Chi Man; (36) Tu Simon; (37) Wang Kuh Ping; (38) Ng Ka Shing; (39) Au Wai Kong Alfred; (40) Chan Ka Yee; (41) Chan Kai Leung; (42) Chan Sze Yin Yvonne; (43) Chan Wing Chun; (44) Chau Tak Chi; (45) Che Pak Lam; (46) Chen Denkwei, Kevin; (47) Cheung Hiu Kwan; (48) Cheung Hung Fai; (49) Cheung Ka Wai; (50) Chiou Yu Ping Julia; (51) Chiu Jimmy; (52) Chow Chi Kwong; (53) Chow So Ching; (54) Chu Chi Wa; (55) Fung Kin Nam; (56) Ho Pui Man; (57) Ho Tung Sang; (58) Ho Yiu Fai; (59) Huang Hsing-Hua; (60) Huang Mu Yao; (61) Ke Pie Chih; (62) Kong Ngai Ying; (63) Kwok Ka Shing Henry; (64) Lai Wai Yan Stephen; (65) Lai Woon Ching; (66) Law Ka Man; (67) Law Kai Fung; (68) Law Yin Yan Angela; (69) Lee Cheung Fai; (70) Lee Mei Yiu; (71) Lee Swee Huat Terry; (72) Lei Yiu Sang James; (73) Leung Chi Wah; (74) Leung Chui Kwan; (75) Leung Ka Chai; (76) Leung Ka Kuen; (77)

Leung Kwong Wai; (78) Leung Wai Hung; (79) Li Kong Ping Andy; (80) Lo Johnkid; (81) Lo Oi Yee Mabel; (82) Lo Wai Ming; (83) Lui Kit-har, Keziah; (84) Ma Kar Chun; (85) Ng Chun Ting; (86) Ng Chung Yee; (87) Ng Kin Wai; (88) Ng Sing; (89) Ng Tsz Kit Alex; (90) Ni Chun Hao; (91) Sin Chi Wai; (92) So Man Fai; (93) Tam Kin Keung; (94) Tam Wing Yu; (95) Tsang Bute Kwok; (96) Tsang Chi Yung; (97) Tse Kin Sun; (98) Tse Sau Kuen; (99) Wan Ka Ho David; (100) Wang Hongwei; (101) Wong Ka Man; (102) Wong Kwok Wing; (103) Wong Wai Yu; and (104) Yeung Wai Nga, in relation to the acquisition of shares in Solomon Systech Limited described in the section headed "The Reorganisation" of this Appendix;

(g) 69 sets of sale and purchase agreements, all dated 10 December 2003, signed by our Company and each of (1) Au Wai Kong Alfred; (2) Chan Ka Yee; (3) Chan Kai Leung; (4) Chan Sze Yin Yvonne; (5) Chan Wing Chun; (6) Chau Tak Chi; (7) Chen Denkwei, Kevin; (8) Cheung Hung Fai; (9) Cheung Ka Wai; (10) Chiou Yu Ping Julia; (11) Chiu Jimmy; (12) Chow Chi Kwong; (13) Chow So Ching; (14) Chu Chi Wa; (15) Fung Kin Nam; (16) Ho Pui Man; (17) Ho Tung Sang; (18) Ho Yiu Fai; (19) Huang Hsin-Hua; (20) Huang Mu Yao; (21) Ke Pie Chih; (22) Kong Ngai Ying; (23) Kwok Ka Shing Henry; (24) Kwok Wai Ming; (25) Lai Wai Yan Stephen; (26) Lai Woon Ching; (27) Law Ka Man; (28) Law Kai Fung; (29) Law Yin Yan Angela; (30) Lee Swee Huat Terry; (31) Lei Yiu Sang James; (32) Leung Chi Wah; (33) Leung Chui Kwan; (34) Leung Ka Chai; (35) Leung Ka Kuen; (36) Leung Kwong Wai; (37) Leung Wai Hung; (38) Li Kong Ping Andy; (39) Li Siu Mun; (40) Lo Johnkid; (41) Lo Oi Yee Mabel; (42) Lo Wai Ming; (43) Lui Kit-har, Keziah; (44) Ma Kar Chun; (45) Ng Chun Ting; (46) Ng Chung Yee; (47) Ng Kin Wai; (48) Ng Sing; (49) Ng Tsz Kit Alex; (50) Ni Chun Hao; (51) Pak Shu Keung; (52) Shum Wai Pui; (53) Sin Chi Wai Albert; (54) So Man Fai; (55) Tam Kin Keung; (56) Tam Wing Yu; (57) Tang Wing Suen; (58) Tsang Bute Kwok; (59) Tsang Chi Yung; (60) Tse Kin Sun; (61) Tse Sau Kuen; (62) Wan Ka Ho David; (63) Wan San Ying Kathy; (64) Wang Hongwei; (65) Wong Ka Man; (66) Wong Kwok Wing; (67) Wong Miu Shan; (68) Wong Wai Yu; and (69) Yu Tak Cheong, in relation to the acquisition of shares in Solomon Systech Limited described in the section headed "The Reorganisation" of this Appendix;

(h) an instrument of transfer dated 17 December 2003 signed by our Company and Solomon Systech (BVI) Limited, and 69 sets of bought and sold notes, all dated 17 December 2003, signed by our Company and each of (1) Au Wai Kong Alfred; (2) Chan Ka Yee; (3) Chan Kai Leung; (4) Chan Sze Yin Yvonne; (5) Chan Wing Chun; (6) Chau Tak Chi; (7) Chen Denkwei, Kevin; (8) Cheung Hung Fai; (9) Cheung Ka Wai; (10) Chiou Yu Ping Julia; (11) Chiu Jimmy; (12) Chow Chi Kwong; (13) Chow So Ching; (14) Chu Chi Wa; (15) Fung Kin Nam; (16) Ho Pui Man; (17) Ho Tung Sang; (18) Ho Yiu Fai; (19) Huang Hsing-Hua; (20) Huang Mu Yao; (21) Ke Pie Chih; (22) Kong Ngai Ying; (23) Kwok Ka Shing Henry; (24) Kwok Wai Ming; (25) Lai Wai Yan Stephen; (26) Lai Woon Ching; (27) Law Ka Man; (28) Law Kai Fung; (29) Law Yin Yan Angela; (30) Lee Swee Huat Terry; (31) Lei Yiu Sang James; (32) Leung Chi Wah; (33) Leung Chui Kwan; (34) Leung Ka Chai; (35) Leung Ka Kuen; (36) Leung Kwong Wai; (37) Leung Wai Hung; (38) Li Kong Ping Andy; (39) Li Siu Mun; (40) Lo Johnkid; (41) Lo Oi Yee Mabel; (42) Lo Wai Ming; (43) Lui Kit-har, Keziah; (44) Ma Kar Chun; (45) Ng Chun Ting; (46) Ng Chung Yee; (47) Ng Kin Wai; (48) Ng Sing; (49) Ng Tsz Kit Alex; (50) Ni Chun Hao; (51) Pak Shu Keung; (52) Shum Wai Pui; (53) Sin Chi Wai; (54) So Man Fai; (55) Tam Kin Keung; (56) Tam Wing Yu; (57) Tang Wing Suen; (58) Tsang Bute Kwok; (59) Tsang Chi Yung; (60) Tse Kin Sun; (61) Tse Sau Kuen; (62) Wan Ka Ho David; (63) Wan San Ying Kathy; (64) Wang Hongwei; (65) Wong Ka Man; (66) Wong Kwok Wing; (67) Wong Miu Shan; (68) Wong Wai Yu; and (69) Yu Tak Cheong, in relation to the acquisition of shares in Solomon Systech Limited described in the section headed "The Reorganisation" of this Appendix;

(i) 101 sets of sale and purchase agreements, all dated 10 December 2003, signed by our Company, Solomon Systech (BVI) Limited, Cardio Investments Limited and each of (1) Au Wai Kong Alfred; (2) Chan Ka Yee; (3) Chan Kai Leung; (4) Chan Pak Tsun Petrus; (5) Chan Sze Yin Yvonne; (6) Chan Wing Chun;

(7) Chang Tsai Hung; (8) Chau Tak Chi; (9) Che Pak Lam; (10) Chen Denkwei, Kevin; (11) Cheung Hiu Kwan; (12) Cheung Hung Fai; (13) Cheung Ka Wai; (14) Chiou Yu Ping Julia; (15) Chiu Jimmy; (16) Chow Chi Kwong; (17) Chow So Ching; (18) Chu Chi Wa; (19) Feng Tyne Jei; (20) Fung Kin Nam; (21) Ho Kin Pui; (22) Ho Pui Man; (23) Ho Tung Sang; (24) Ho Yiu Fai; (25) Huang Hsin-Hua; (26) Huang Mu Yao; (27) Ke Pie Chih; (28) Kong Ngai Ying; (29) Kwok Ka Shing Henry; (30) Kwok Wai Ming; (31) Lai Wai Yan Stephen; (32) Lai Woon Ching; (33) Lam Chi Keung; (34) Law Ka Man; (35) Law Kai Fung; (36) Law Yin Yan Angela; (37) Lau Yuen Pat; (38) Lee Cheung Fai; (39) Lee Mei Yiu; (40) Lee Swee Huat Terry; (41) Lei Yiu Sang James; (42) Leung Chi Wah; (43) Leung Chui Kwan; (44) Leung Ka Chai; (45) Leung Ka Kuen; (46) Leung Kwong Wai; (47) Leung Wai Hung; (48) Li Kong Ping Andy; (49) Li Siu Mun; (50) Lo Johnkid; (51) Lo Oi Yee Mabel; (52) Lo Wai Ming; (53) Lui Kit-har, Keziah; (54) Luk Man Lung; (55) Ma Kar Chun; (56) Ng Chun Ting; (57) Ng Chung Yee; (58) Ng Kin Wai; (59) Ng Sing; (60) Ng Tsz Kit Alex; (61) Ni Chun Hao; (62) Pak Shu Keung; (63) Shum Wai Pui; (64) Sin Chi Wai Albert; (65) So Man Fai; (66) Tam Kin Keung; (67) Tam Wing Yu; (68) Tang Wing Suen; (69) Tsang Bute Kwok; (70) Tsang Chi Yung; (71) Tse Kin Sun; (72) Tse Sau Kuen; (73) Wan Ka Ho David; (74) Wan San Ying Kathy; (75) Wang Chao Kuen; (76) Wang Hongwei; (77) Wong Ka Man; (78) Wong Kwok Wing; (79) Wong Miu Shan; (80) Wong Wa; (81) Wong Wai Yu; (82) Woon Yim Si Iris; (83) Yeung Wai Nga; (84) Yu Tak Cheong; (85) Yum Kin Pui; (86) Yung Yuen Yu; (87) Cheng Yunxiang; (88) Hu Zhongcheng; (89) Lu Yi; (90) Shen Yongmin; (91) Wang Gang; (92) Yuan Weiwei; (93) Chen Luoping; (94) Feng Kaiwu; (95) Huang Ge; (96) Zhou Jian; (97) Xu Lu; (98) Li Qing; (99) Yao Luoyi; (100) Li Shuang; and (101) Shen Shiheng, in relation to the acquisition of shares in Solomon Systech Limited described in the section headed "The Reorganisation" of this Appendix;

(j) an instrument of transfer dated 17 December 2003 signed by our Company and Solomon Systech (BVI) Limited, and 101 sets of bought and sold notes, all dated 17 December 2003, signed by our Company and each of (1) Au Wai Kong Alfred; (2) Chan Ka Yee; (3) Chan Kai Leung; (4) Chan Pak Tsun Petrus; (5) Chan Sze Yin Yvonne; (6) Chan Wing Chun; (7) Chang Tsai Hung; (8) Chau Tak Chi; (9) Che Pak Lam; (10) Chen Denkwei, Kevin; (11) Cheung Hiu Kwan; (12) Cheung Hung Fai; (13) Cheung Ka Wai; (14) Chiou Yu Ping Julia; (15) Chiu Jimmy; (16) Chow Chi Kwong; (17) Chow So Ching; (18) Chu Chi Wa; (19) Feng Tyne Jei; (20) Fung Kin Nam; (21) Ho Kin Pui; (22) Ho Pui Man; (23) Ho Tung Sang; (24) Ho Yiu Fai; (25) Huang Hsing-Hua; (26) Huang Mu Yao; (27) Ke Pie Chih; (28) Kong Ngai Ying; (29) Kwok Ka Shing Henry; (30) Kwok Wai Ming; (31) Lai Wai Yan Stephen; (32) Lai Woon Ching; (33) Lam Chi Keung; (34) Law Ka Man; (35) Law Kai Fung; (36) Law Yin Yan Angela; (37) Lau Yuen Pat; (38) Lee Cheung Fai; (39) Lee Mei Yiu; (40) Lee Swee Huat Terry; (41) Lei Yiu Sang James; (42) Leung Chi Wah; (43) Leung Chui Kwan; (44) Leung Ka Chai; (45) Leung Ka Kuen; (46) Leung Kwong Wai; (47) Leung Wai Hung; (48) Li Kong Ping Andy; (49) Li Siu Mun; (50) Lo Johnkid; (51) Lo Oi Yee Mabel; (52) Lo Wai Ming; (53) Lui Kit-har, Keziah; (54) Luk Man Lung; (55) Ma Kar Chun; (56) Ng Chun Ting; (57) Ng Chung Yee; (58) Ng Kin Wai; (59) Ng Sing; (60) Ng Tsz Kit Alex; (61) Ni Chun Hao; (62) Pak Shu Keung; (63) Shum Wai Pui; (64) Sin Chi Wai; (65) So Man Fai; (66) Tam Kin Keung; (67) Tam Wing Yu; (68) Tang Wing Suen; (69) Tsang Bute Kwok; (70) Tsang Chi Yung; (71) Tse Kin Sun; (72) Tse Sau Kuen; (73) Wan Ka Ho David; (74) Wan San Ying Kathy; (75) Wang Chao Kuen; (76) Wang Hongwei; (77) Wong Ka Man; (78) Wong Kwok Wing; (79) Wong Miu Shan; (80) Wong Wa; (81) Wong Wai Yu; (82) Woon Yim Si Iris; (83) Yeung Wai Nga; (84) Yu Tak Cheong; (85) Yum Kin Pui; (86) Yung Yuen Yu; (87) Cheng Yunxiang; (88) Hu Zhongcheng; (89) Lu Yi; (90) Shen Yongmin; (91) Wang Gang; (92) Yuan Weiwei; (93) Chen Luoping; (94) Feng Kaiwu; (95) Huang Ge; (96) Zhou Jian; (97) Xu Lu; (98) Li Qing; (99) Yao Luoyi; (100) Li Shuang; and (101) Shen Shiheng, in relation to the acquisition of shares in Solomon Systech Limited described in the section headed "The Reorganisation" of this Appendix;

(k) an instrument of transfer and bought and sold notes, all dated 17 December 2003, signed by our Company and Solomon Systech (BVI) Limited, in relation to the acquisition of shares in Solomon Systech Limited described in the section headed "The Reorganisation" of this Appendix;

- (l) an instrument of transfer dated 17 December 2003 signed by our Company and Solomon Systech (BVI) Limited, and 4 sets of bought and sold notes, all dated 17 December 2003, signed by our Company and each of Shen Shiheng, Yuan Weiwei, Xu Lu and Wang Gang, in relation to the acquisition of shares in Solomon Systech Limited described in the section headed "The Reorganisation" of this Appendix;
- (m) an instrument of transfer dated 23 December 2003 signed by our Company and Mr. Leung Kwong Wai, in relation to the transfer of one share in Solomon Systech Limited;
- (n) a trust deed executed between HSBC International Trustee Limited and our Company dated 19 March 2004, in relation to the establishment of the trust constituting the Share Award Plan;
- (o) a trust deed executed between HSBC International Trustee Limited and our Company dated 19 March 2004, in relation to the establishment of the trust constituting the pre-IPO share reward plan adopted by our Company (being part of the Pre-IPO Stock Reward Scheme);
- (p) a trust deed executed between Cardio Investments Limited and our Company dated 19 March 2004, in relation to the Pre-IPO Loyalty Plan; and
- (q) the Public Offering Underwriting Agreement dated 24 March 2004 entered into between our Company, the Global Coordinator and the Public Offering Underwriters, further details of which are set out in "Underwriting".

(B) Intellectual property rights of our Company**Patents**

The Group is the registered proprietor and beneficial owner of the following patents:

Title of invention	Place of registration	Patent Number
Auto-offset LCD Vertical Scroll Mechanism	United States of America	5,229,759
	Japan	3168278
	Singapore (Note 1)	54219
	France (Note 1)	0529932
	United Kingdom (Note 1)	0529932
	Germany (Note 1)	0529932
A System for Horizontal Scrolling of Display Data	PRC (Note 2)	97113113.9
	Korea	10-0252446-00-00
	Singapore	49954
Flexible Tape Substrate for a Semiconductor Chip Package and Method of Manufacturing such a Package	PRC (Note 3)	ZL97110265.1
Low Supply Voltage Output Driver	United States of America	5,451,903
	PRC (Note 4)	95107659
	Korea	10-0160572-00-00
Driving System and Method for Electroluminescence Display	United States of America	US6,501,226B2
	Taiwan (Note 5)	178000

Notes:







1. The description of the patent in the documents filed with the respective patent offices in Singapore, France, the United Kingdom and Germany is "LCD Scroll Mechanism."
2. The description of the patent in the documents filed with the patent office in the PRC is "水平滾動顯示數據系統。"
3. The description of the patent in the documents filed with the patent office in the PRC is "用於半導體芯片封裝的柔韌帶基片和製造這種封裝的方法。"
4. The description of the patent in the documents filed with the patent office in the PRC is "低電源電壓輸出驅動器。"
5. The description of the patent in the documents filed with the patent office in Taiwan is "電激發光顯示器之驅動系統及方法。"

As at 19 March 2004, the Group had applied for registration of the following patents:

Title of Invention	Place of application
Low Supply Voltage Output Driver	Japan
Method and Apparatus for applying Adaptive Precharge to an Electroluminescence Display	United States of America
OLED Driver Circuit With Selectable LCD Controller Interface and Drive Strength	United States of America
Driving System and Method for applying Electronluminescence Displays	United States of America

Trademarks



As at 19 March 2004, the Group had applied for the registration of the following trademarks:

Trademark	Place of application	Application number	Class (Note)	Application date
SOLOMON SYSTECH	Hong Kong	300092439	9	11 October 2003
SOLOMON SYSTECH	Hong Kong	300092439	42	11 October 2003
	Hong Kong	300092457	9	11 October 2003
	Hong Kong	300092457	42	11 October 2003
晶门科技	Hong Kong	300092448	9	11 October 2003
晶门科技	Hong Kong	300092448	42	11 October 2003
晶門科技	Hong Kong	300092448	9	11 October 2003
晶門科技	Hong Kong	300092448	42	11 October 2003
	PRC	3751365	9	14 October 2003
	PRC	3758682	42	20 October 2003
晶门科技	PRC	3751366	9	14 October 2003
晶门科技	PRC	3758683	42	20 October 2003
	Taiwan	92065356	9	11 November 2003
	Taiwan	92065360	42	11 November 2003
晶門科技	Taiwan	92065358	9	11 November 2003
晶門科技	Taiwan	92065362	42	11 November 2003

Note:

Class	Specification
9	scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus; integrated circuits, semiconductors; semiconductors parts and apparatus; smart cards (integrated circuits cards); computer displays; PDA; mobile phones; MP3 players; cameras (photography)
42	research, development and design services of semiconductor chips and integrated circuits

Pursuant to a trademark licence agreement between Solomon Technology Corporation and Solomon Systech Limited dated 20 December 2002, Solomon Systech Limited was granted a non-exclusive licence to use the trademarks registered by Solomon Technology Corporation in the specified territory, the details of which are as follows:

Trademark	Place of registration	Registration number	Class	Specified territory
	PRC	1549913	9	PRC
	Singapore	T96/12513J	9	Singapore

Domain names

As at the 19 March 2004, the Group had registered the following domain names:

Domain Name	Registrant	Date of Registration
solomon-systech.com	Solomon Systech Limited	11 September 2003
solomonsystech.com.....	Solomon Systech Limited	24 August 2003
solomon-systech.com	Solomon Systech Limited	15 June 2003

(5) FURTHER INFORMATION ABOUT OUR DIRECTORS

(A) Particulars of Directors' service contracts

(a) Executive Directors

Each of the executive Directors has entered into an employment agreement (the "SSL Employment Agreement") with Solomon Systech Limited ("SSL") as an employee of SSL for an indefinite term and an executive director's supplemental employment agreement (the "Executive Director's Supplemental Employment Agreement") with the Company for an initial term of 3 years from the following dates:

Leung Kwong Wai, Humphrey	21 November 2003
Huang Hsing Hua	3 February 2004
Lai Woon Ching	25 February 2004
Lo Wai Ming	25 February 2004

The particulars of these agreements are in all material respects identical and are set out below:

- (1) each of the executive Directors is entitled to annual salaries, bonus payment, allowance and benefits in kind, at the discretion of the board of directors of SSL, under the SSL Employment Agreement; and
- (2) each of the executive Directors is entitled to participate in the Share Award Plan and the Share Option Scheme adopted by the Company under the Executive Director's Supplemental Employment Agreement.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company. Each appointment letter is for a term of one year from the following dates:

Chang Ching-Yi, Steven	21 November 2003
Wong Yuet Leung, Frankie	3 February 2004
Lam Pak Lee	25 February 2004
Choy Kwok Hung, Patrick	25 February 2004
Sun, Patrick.....	25 February 2004
Kao Kuen, Charles.....	15 March 2004

Terms of each of the appointment letters of each of such non-executive Directors and independent non-executive Directors are in all material respects identical. Each of them is entitled to annual director's fees and options under the Pre-IPO Share Option Scheme.

(c) Remuneration of Directors

Remuneration and benefits in kind of approximately HK\$14.8 million in aggregate were paid and granted by the Group to the Directors in respect of the financial year ended 31 December 2003.

Under the arrangements currently in force, the Directors will be entitled to receive remuneration which, for the year ending 31 December 2004, is expected to be approximately HK\$5.6 million (excluding discretionary bonus).

(B) Disclosure of interests**(a) Interests and short positions of the Directors in the share capital of the Company and its associated corporations following the Global Offering**

Immediately following completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules, will be as follows:

(i) *Long Positions in the shares, underlying shares and debentures of the Company*

(1) Issued ordinary shares of the Company

Name of Director	Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Chang Ching-Yi, Steven	Personal	5,800,000	0.2%
Huang Hsing-Hua	Personal	7,800,000	0.3%
	Personal/Beneficiary (Note 1)	10,450,000	0.4%

Name of Director	Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Lam Pak-Lee	Personal	70,000,000	2.9%
Leung Kwong Wai.....	Personal	52,000,001	2.2%
	Personal/Beneficiary (Note 2)	69,400,000	2.9%
Lo Wai Ming.....	Personal	23,380,000	1.0%
	Personal/Beneficiary (Note 3)	22,000,000	0.9%
Lai Woon Ching	Personal	36,830,000	1.5%
	Personal/Beneficiary (Note 4)	14,700,000	0.6%

Notes:

1. Out of the 10,450,000 Shares held by Mr. Huang:
 - (a) 3,200,000 Shares are subject to a lock-up and held in custody by the Custodian for the benefit of Mr. Huang under the Pre-IPO Loyalty Plan for a period from the vesting date up to 4 years after the Listing Date;
 - (b) 750,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Huang under the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme) for a period commencing from 23 December 2003 to a date falling twelve months after the Listing Date;
 - (c) 2,500,000 Shares are subject to a two year vesting period and held by the Trustee for the benefit of Mr. Huang under the pre-IPO share reward plan of the Company (being part of the Pre-IPO Stock Reward Scheme); and
 - (d) 4,000,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Huang under the Pre-IPO Share Purchase Scheme for a period commencing from 9 February 2004 to a date falling twelve months after the Listing Date.
2. Out of the 69,400,000 Shares held by Mr. Leung:
 - (a) 12,000,000 Shares are subject to a lock-up and held in custody by the Custodian for the benefit of Mr. Leung under the Pre-IPO Loyalty Plan for a period from the vesting date up to 4 years after the Listing Date;
 - (b) 13,000,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Leung under the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme) for a period commencing from 23 December 2003 to a date falling twelve months after the Listing Date;
 - (c) 14,400,000 Shares are subject to a two year vesting period and held by the Trustee for the benefit of Mr. Leung under the pre-IPO share reward plan of the Company (being part of the Pre-IPO Stock Reward Scheme); and
 - (d) 30,000,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Leung under the Pre-IPO Share Purchase Scheme for a period commencing from 9 February 2004 to a date falling twelve months after the Listing Date.
3. Out of the 22,000,000 Shares held by Mr. Lo:
 - (a) 7,200,000 Shares are subject to a lock-up and held in custody by the Custodian for the benefit of Mr. Lo under the Pre-IPO Loyalty Plan for a period from the vesting date up to 4 years after the Listing Date;
 - (b) 3,000,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Lo under the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme) for a period commencing from 23 December 2003 to a date falling twelve months after the Listing Date;
 - (c) 4,800,000 Shares are subject to a two year vesting period and held by the Trustee for the benefit of Mr. Lo under the pre-IPO share reward plan of the Company (being part of the Pre-IPO Stock Reward Scheme); and
 - (d) 7,000,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Lo under the Pre-IPO Share Purchase Scheme for a period commencing from 9 February 2004 to a date falling twelve months after the Listing Date.
4. Out of the 14,700,000 Shares held by Mr. Lai:
 - (a) 4,000,000 Shares are subject to a lock-up and held in custody by the Custodian for the benefit of Mr. Lai under the Pre-IPO Loyalty Plan for a period from the vesting date up to 4 years after the Listing Date;
 - (b) 2,300,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Lai under the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme) for a period commencing from 23 December 2003 to a date falling twelve months after the Listing Date;

(c) 3,400,000 Shares are subject to a two year vesting period and held by the Trustee for the benefit of Mr. Lai under the pre-IPO share reward plan of the Company (being part of the Pre-IPO Stock Reward Scheme); and

(d) 5,000,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Lai under the Pre-IPO Share Purchase Scheme for a period commencing from 9 February 2004 to a date falling twelve months after the Listing Date.

(2) Options outstanding under the Pre-IPO Share Option Scheme of the Company to subscribe for Shares in the Company

Name of Director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of Share options outstanding
Leung Kwong Wai	19 March 2004	10 April 2009	Offer Price	800,000
Huang Hsing-Hua	19 March 2004	10 April 2009	Offer Price	300,000
Lo Wai Ming	19 March 2004	10 April 2009	Offer Price	300,000
Lai Woon Ching.....	19 March 2004	10 April 2009	Offer Price	300,000
Lam Pak Lee	19 March 2004	10 April 2009	Offer Price	800,000
Chang Ching-Yi, Steven	19 March 2004	10 April 2009	Offer Price	800,000
Wong Yuet Leung, Frankie	19 March 2004	10 April 2009	Offer Price	500,000
Choy Kwok Hung, Patrick.....	19 March 2004	10 April 2009	Offer Price	500,000
Sun, Patrick.....	19 March 2004	10 April 2009	Offer Price	500,000
Kao, Kuen Charles.....	19 March 2004	10 April 2009	Offer Price	500,000

(ii) *Short Positions in the shares, underlying shares and debentures of the Company*

Name of Director	Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Huang Hsing-Hua	Personal/Beneficiary (Note 1)	3,950,000	0.2%
Leung Kwong Wai.....	Personal/Beneficiary (Note 2)	25,000,000	1.0%
Lo Wai Ming.....	Personal/Beneficiary (Note 3)	10,200,000	0.4%
Lai Woon Ching	Personal/Beneficiary (Note 4)	6,300,000	0.3%

Notes:

1. Out of the 3,950,000 Shares held by Mr. Huang:

(a) 3,200,000 Shares are subject to a lock-up and held in custody by the Custodian for the benefit of Mr. Huang under the Pre-IPO Loyalty Plan for a period from the vesting date up to 4 years after the Listing Date; and

(b) 750,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Huang under the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme) for a period commencing from 23 December 2003 to a date falling twelve months after the Listing Date.

2. Out of the 25,000,000 Shares held by Mr. Leung:

(a) 12,000,000 Shares are subject to a lock-up and held in custody by the Custodian for the benefit of Mr. Leung under the Pre-IPO Loyalty Plan for a period from the vesting date up to 4 years after the Listing Date; and

(b) 13,000,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Leung under the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme) for a period commencing from 23 December 2003 to a date falling twelve months after the Listing Date.

3. Out of the 10,200,000 Shares held by Mr. Lo:
- (a) 7,200,000 Shares are subject to a lock-up and held in custody by the Custodian for the benefit of Mr. Lo under the Pre-IPO Loyalty Plan for a period from the vesting date up to 4 years after the Listing Date; and
- (b) 3,000,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Lo under the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme) for a period commencing from 23 December 2003 to a date falling twelve months after the Listing Date.
4. Out of the 6,300,000 Shares held by Mr. Lai:
- (a) 4,000,000 Shares are subject to a lock-up and held in custody by the Custodian for the benefit of Mr. Lai under the Pre-IPO Loyalty Plan for a period from the vesting date up to 4 years after the Listing Date; and
- (b) 2,300,000 Shares are subject to a lock-up and therefore held on trust by Cardio Investments Limited as trustee for the benefit of Mr. Lai under the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme) for a period commencing from 23 December 2003 to a date falling twelve months after the Listing Date.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme or the exercise of the Over-allotment Option (and assuming that the obligations of the Underwriters to subscribe and/or purchase, and/or procure the subscription and/or purchase of, Shares under the Underwriting Agreements will terminate on the Listing Date) and none of the Underwriters is required to subscribe and/or purchase, and/or procure the subscription and/or purchase of Shares thereunder on or prior to the Listing Date, in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, the following persons are expected to have interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, 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 the Company:

- (i) *Long positions in the shares and underlying shares of the Company*

Name of interested party	Capacity	Number of shares in which the interested party is deemed to have interests	Approximate percentage of interest in the Company
Cardio Investments Limited	Trustee (Note 1)	174,740,250	7.2%
Global Vision Venture Capital Co., Ltd.	Beneficial owner	151,980,000	6.3%
China Power Venture Capital Co., Ltd.	Beneficial owner	151,980,000	6.3%
Wintek Corporation	Interest by attribution (Note 2)	139,000,000	5.8%
Lo Hong Sui, Vincent.....	Interest by attribution (Note 3)	123,000,000	5.1%
Shui On Company Limited	Interest by attribution (Note 4)	123,000,000	5.1%
HSBC International Trustee Limited	Trustee/Interest by attribution (Note 5)	242,000,000	10.0%
Shui On Construction and Materials Limited.....	Interest by attribution (Note 6)	123,000,000	5.1%
Goldcrest Development Limited.....	Interest by attribution (Note 7)	123,000,000	5.1%
The Yangtze Ventures Limited	Interest by attribution (Note 8)	123,000,000	5.1%
Extreme Performance Limited.....	Beneficial owner	123,000,000	5.1%
Leung Kwong Wai.....	Beneficial owner	121,400,001	5.0%
Cheung Sau Shan.....	Family (Note 9)	121,400,001	5.0%

Notes:

1. Cardio Investments Limited is the trustee holding these Shares on trust for the beneficiaries under the Pre-IPO Share Purchase Scheme and the employee share reward plan adopted by Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme). Cardio Investments Limited is owned as to approximately 33.33% by Mr. Leung Kwong Wai, an executive Director. Further details of the scheme and the plan are set out in the section headed "Pre-IPO Schemes" in this Appendix.
2. Under the SFO, Wintek Corporation is deemed to be interested in these Shares by virtue of the fact that Wintek Technology (Cayman) Corporation and Wintek (BVI) Corporation are its wholly-owned subsidiaries. Wintek Technology (Cayman) Corporation is interested in 72,000,000 Shares and Wintek (BVI) Corporation is interested in 67,000,000 Shares.
3. Mr. Lo is interested in the shares of Shui On Company Limited held by HSBC International Trustee Limited.
4. Shui On Company Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Shui On Construction and Materials Limited.
5. Out of the 242,000,000 Shares:
 - (a) HSBC International Trustee Limited is the trustee holding an aggregate of 119,000,000 Shares on trust for the beneficiaries under the Share Award Plan and the pre-IPO share reward plan adopted by the Company (being part of the Pre-IPO Stock Reward Scheme). Further details of these plans are set out in the sections headed "Continuing Schemes" and "Pre-IPO Schemes" in this Appendix; and
 - (b) HSBC International Trustee Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Shui On Company Limited, and therefore is deemed to be interested in the 123,000,000 Shares held by Extreme Performance Limited.
6. Shui On Construction and Materials Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Goldcrest Development Limited.
7. Goldcrest Development Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of The Yangtze Ventures Limited.
8. The Yangtze Ventures Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Extreme Performance Limited.
9. Ms. Cheung Sau Shan is the spouse of Mr. Leung Kwong Wai, and is therefore deemed to be interested in the Shares held by Mr. Leung Kwong Wai under the SFO.

(ii) *Short positions in the shares and underlying shares of the Company*

Name of interested party	Capacity	Number of shares subject to short position and in which the interested party is deemed to have interests	Approximate percentage of interest in the Company
Cardio Investments Limited	Trustee (Note 1)	174,740,250	7.2%
Lo Hong Sui, Vincent.....	Interest by attribution (Note 2)	90,536,000	3.7%
Shui On Company Limited	Interest by attribution (Note 3)	90,536,000	3.7%
HSBC International Trustee Limited	Trustee/Interest by attribution (Note 4)	209,536,000	8.7%
Shui On Construction and Materials Limited.....	Interest by attribution (Note 5)	90,536,000	3.7%
Goldcrest Development Limited.....	Interest by attribution (Note 6)	90,536,000	3.7%
The Yangtze Ventures Limited	Interest by attribution (Note 7)	90,536,000	3.7%
Extreme Performance Limited	Beneficial owner (Note 8)	90,536,000	3.7%
Leung Kwong Wai.....	Personal/Beneficiary (Note 9)	25,000,000	1.0%
Cheung Sau Shan.....	Family (Note 10)	25,000,000	1.0%

Notes:

1. Cardio Investments Limited is the trustee holding these Shares on trust for the beneficiaries under the Pre-IPO Share Purchase Scheme and the employee share reward plan adopted by Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme). Cardio Investments Limited is under an obligation to deliver these Shares to the respective beneficiaries upon fulfilment of certain conditions set out in the scheme and the plan respectively. Cardio Investments Limited is owned as to approximately 33.33% by Mr. Leung Kwong Wai, an executive Director. Further details of the scheme and the plan are set out in the section headed "Pre-IPO Schemes" in this Appendix.
2. Mr. Lo is interested in the shares of Shui On Company Limited held by HSBC International Trustee Limited.
3. Shui On Company Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Shui On Construction and Materials Limited.
4. Out of the 209,536,000 Shares:
 - (a) HSBC International Trustee Limited is the trustee holding an aggregate of 119,000,000 Shares on trust for the beneficiaries under the pre-IPO share reward plan adopted by the Company (being part of the Pre-IPO Stock Reward Scheme) and the Share Award Plan. HSBC International Trustee Limited is under an obligation to deliver these Shares to the respective beneficiaries upon fulfilment of certain conditions set out in each of these plans. Further details of these plans are set out in the sections headed "Continuing Schemes" and "Pre-IPO Schemes" in this Appendix; and
 - (b) HSBC International Trustee Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Shui On Company Limited, and therefore is deemed to be interested in these 90,536,000 Shares held by Extreme Performance Limited subject to short position.
5. Shui On Construction and Materials Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Goldcrest Development Limited.
6. Goldcrest Development Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of The Yangtze Ventures Limited.
7. The Yangtze Ventures Limited is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Extreme Performance Limited.
8. This is disclosed on the assumption that a stock borrowing agreement will be entered into between Extreme Performance Limited and the Global Coordinator before completion of the Global Offering, under which Extreme Performance Limited will agree to lend up to 90,536,000 Shares to the Global Coordinator for the purposes of covering over-allocations in the Global Offering.
9. Mr. Leung is under an obligation to deliver these Shares to the Custodian and/or Cardio Investments Limited if certain conditions are not satisfied during the specified lock-up periods under the Pre-IPO Loyalty Plan and the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme), respectively. Further details on the lock-up are set out in the section headed "Disclosure of interests — Interests and short positions of the Directors in the share capital of the Company and its associated corporations following the Global Offering" in this Appendix.
10. Ms. Cheung is the spouse of Mr. Leung, and therefore is deemed to be interested in the 25,000,000 Shares held by Mr. Leung subject to short position.

(c) Connected transactions and related party transactions

Save as disclosed in this prospectus and in note 29 of the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

(C) Disclaimers

Save as disclosed in this prospectus:

(a) the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately after completion of the Global Offering (taking no account of the Over-allotment Option or any Shares which may be taken up under the Global Offering or any exercise of options under the Pre-IPO Share Option Scheme and the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to

Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed “Consents of experts” of this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to us or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to us or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed “Consents of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “Consents of experts” of this Appendix:

(i) is interested legally or beneficially in any securities of any member of the Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) none of our Directors or their associates has any interest in any of our five largest customers;

(g) none of our Directors or their associates has any interest in any of our five largest contract manufacturers; and

(h) none of our Directors has entered into or is proposing to enter into a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(6) OTHER INFORMATION

(A) Tax and Estate Duty

Our Directors have been advised that no liability for estate duty is likely to fall on the Group.

(B) Litigation

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

(C) Preliminary Listing Expenses

The preliminary listing expenses of the Global Offering are estimated to be approximately HK\$53.2 million. The Stock Exchange listing fees, the Stock Exchange trading fee, SFC transaction levy, SFC investor compensation levy, brokerage, legal and other professional fees, printing and other expenses relating to the Global Offering are currently estimated to be approximately HK\$19.0 million million in aggregate. The aggregate underwriting commission in respect of the Global Offering is currently estimated to be approximately HK\$34.2 million.

Of the above expenses of HK\$53.2 million, each Selling Shareholder will be responsible, pro-rata to their Sale Shares comprising the Offer Shares, only for the incremental expenses comprising the underwriting commission as well as transactional expenses such as the SFC transaction levy of 0.005%, investor compensation levy of 0.002% and Stock Exchange trading fee of 0.005% and stamp duty (both sell side and buy side).

(D) Promoter

The Company does not have any promoter.

(E) Particulars of the Selling Shareholders

The names, addresses and descriptions of the Selling Shareholders are as follows:

Name	Address	Description	Number of Sale Shares
Extreme Performance Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	a company incorporated in British Virgin Islands	60,290,280
Taiwan Special Opportunities Fund II	3/F, No. 2, Chung-Ching S. Road, Section 1, Taipei, Taiwan	a private equity fund registered in the Cayman Islands	88,491,500
A&D Capital Corp.	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	a company incorporated in British Virgin Islands	1,142,840
CAM-CID Asia Pacific Investment Corp.	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	a company incorporated in British Virgin Islands	380,950
China Century Venture Capital Co., Ltd.	28th Floor, 97 Tun Hwa South Road, Section 2, Taipei 106, Taiwan	a company incorporated in Taiwan	190,470
China International Investment Co., Ltd.	28th Floor, 97 Tun Hwa South Road, Section 2, Taipei 106, Taiwan	a company incorporated in Taiwan	380,950
China Power Venture Capital Co., Ltd.	28th Floor, 97 Tun Hwa South Road, Section 2, Taipei 106, Taiwan	a company incorporated in Taiwan	1,904,720

Name	Address	Description	Number of Sale Shares
Global Vision Venture Capital Co., Ltd.	28th Floor, 97 Tun Hwa South Road, Section 2, Taipei 106, Taiwan	a company incorporated in Taiwan	1,904,720
J&D Capital Corp.	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	a company incorporated in British Virgin Islands	190,470
Nien Hsing International Investment Co.	13F, No.369, Fu Hsing N. Road, Taipei, Taiwan	a company incorporated in Taiwan	380,950
Wintek Technology (Cayman) Corporation	Buckingham Square, Penthouse, Seven Mile Beach, P.O. Box 1159, George Town, Grand Cayman, Cayman Islands	a company incorporated in the Cayman Islands	17,243,000
Wintek (B.V.I.) Corporation	Citco Building, P.O. Box 662, Road Town, Tortola, British Virgin Islands	a company incorporated in British Virgin Islands	16,306,570
Picvue Electronics, Limited	No. 372, Section 4, Ching Hsing Road, Chu Dong County, Hsin Chu 310, Taiwan	a company based in Taiwan	7,633,750
Leung Kwong Wai	Flat A1-1 Summit Court 144 Tin Hau Temple Road North Point Hong Kong	Director	7,216,000
Huang Hsing-Hua	Flat E, 24th Floor Block 2 Wai Wah Center No. 11-17 Shatin Center Street Shatin New Territories Hong Kong	Director	193,750

Name	Address	Description	Number of Sale Shares
Lo Wai Ming	Flat D, 2nd Floor, Block 4 Richwood Park 33 Lo Fai Road Tai Po New Territories Hong Kong	Director	480,000
Lai Woon Ching	Flat A, 8/F, Tower II Discovery Park 398 Castle Peak Road Tsuen Wan New Territories Hong Kong	Director	5,089,000
Senior Management	N/A	N/A	19,634,450
Other Employees	N/A	N/A	5,406,000
Others	N/A	N/A	29,655,990

(F) Sponsor

The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

(G) No material adverse change

Save as disclosed in this prospectus, our Directors believe that there has been no material adverse change in our financial or trading position or prospects since 31 December 2003.

(H) Binding effect

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

(I) Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (iii) neither we nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (iv) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
- (v) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company; and
- (vi) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (b) We have no outstanding convertible debt securities.
- (c) Save for the pledge of bank deposits of US\$3,183,000 as disclosed in Note 31 of the Accountants' Report in Appendix I, we have no material mortgage or charge.

(J) Qualifications of experts

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

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Maples and Calder Asia.....	Cayman Islands Attorneys-at-Law
Chesterton Petty Limited	Independent Professional Valuer

(K) Consents of experts

Each of PricewaterhouseCoopers, Maples and Calder Asia and Chesterton Petty Limited has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

None of the experts named in the paragraph headed "Qualifications of experts" in this Appendix has any shareholding interests 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.

(7) CONTINUING SCHEMES

We believe in incentivising, retaining and rewarding employees, and attracting new talent, through share based incentives which will align their interests with that of our Company. To this end, we currently have six share-based remuneration schemes, of which grants of awards or options may continue after the Listing under two of them (namely, the Share Option Scheme and the Share Award Plan, together the "Continuing Schemes"); whereas awards and grants of options have been made or offered under the other four schemes (namely, the Pre-IPO Stock Reward Scheme, the Pre-IPO Share Purchase Scheme, the Pre-IPO Loyalty Plan and the Pre-IPO Share Option Scheme, together the "Pre-IPO Schemes") and no further awards or grants of options will be made or offered under them (see section headed "Pre-IPO Schemes" in this Appendix below for details).

We consider having the ability to make awards under a combination of the Share Award Plan and the Share Option Scheme provides a greater degree of flexibility and more appropriate means to cater for the

different target grantees whose relationships with our Group require different types of share-based incentives in order for them to contribute to the success of the Company. The Share Award Plan is established to create a sense of ownership amongst the officers and employees of the Group, and to reward them for their contribution towards the Group, through making award (subject to vesting) of Shares to them; whereas the options granted under the Share Option Scheme do not give immediate ownership of the underlying Shares as they require payment of subscription price based on the then prevailing market price of the Shares after Listing. Accordingly, these options may only become meaningful to the grantees after their contributions have created value for our Company.

(A) Share Option Scheme

Summary of principal terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a resolution of the Shareholders passed on 25 February 2004 and adopted by a resolution of the Board on 19 March 2004. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Stock Exchange Listing Rules.

1. The purpose of the Share Option Scheme is to provide the Participants (defined in paragraph 2 below) who have been granted options (the "Options") under the Share Option Scheme to subscribe for Shares (the "Grantees") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.
2. The Directors may, at their discretion, invite any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the "Participants") to participate in the Share Option Scheme.
3. Initially the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of chapter 17 of the Stock Exchange Listing Rules are applicable) shall not exceed 10% of the aggregate of the Shares in issue on the date on which trading of the Shares commences on the Stock Exchange (the "Listing Date") and any Shares which may be allotted and issued by the Company under the Over-allotment Option (such 10% limit represents 241,431,835 Shares, assuming that the Over-allotment Option is not exercised). (Options which have lapsed shall not be counted in calculating the 10% limit). However (but subject to the 30% limit referred to in this paragraph below), the Company may refresh this 10% limit with Shareholders' approval provided that each such limit (as refreshed) may not exceed the 10% of the Shares in issue as at the date of the Shareholders' approval. (Options previously granted under the Share Option Scheme and any other share option schemes adopted by the Company (and to which the provisions of chapter 17 of the Stock Exchange Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options) will not be counted for the purpose of calculating the limit to be refreshed.) The Company may seek separate approval by Shareholders in general meeting for granting Options beyond the 10% limit provided that the Options in excess of the limit are granted only to Participants specially identified by the Company before such approval is sought.

The total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of chapter 17 of the Stock Exchange Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time. On the Listing Date, such 30% represents 724,295,505 Shares (assuming that the Over-allotment Option is not exercised).

4. Unless approved by Shareholders in the manner set out in this paragraph below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) under the Share Option Scheme in any 12 month period must not exceed 1% of the Shares in issue. Any further grant of Options which would result in the number of Shares issued as aforesaid exceeding the said 1% limit must be subject to prior Shareholders' approval with the relevant Participant and his associates abstaining from voting.

Each grant of Options to any director, chief executive or substantial shareholder of the Company (or any of their respective associates) (as such terms are defined in rule 1.01 of the Stock Exchange Listing Rules) shall be subject to the prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is a proposed grantee of Options). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll). All connected persons (as defined in the Stock Exchange Listing Rules) of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

No offer shall be made and no Option shall be granted to any Participant in circumstances prohibited by the Stock Exchange Listing Rules at a time when the Participant would or might be prohibited from dealing in the Shares by the Stock Exchange Listing Rules or by any applicable rules, regulations or law. In particular, during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Stock Exchange Listing Rules) for the approval of the Company's interim or annual results; and
- (b) the deadline for the Company to publish its interim or annual results announcement under the Stock Exchange Listing Rules,

and ending on the date of the results announcement, no Option may be granted.

5. (a) The period within which the Options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant Date of Grant (being the date on which the Board resolves to make an offer of Option to the relevant Grantee).
- (b) In the event a Grantee (being an employee or a director of any member of the Group) ceases to be a Participant for any reason other than (i) his or her death or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph 12(f) below, the Option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless the Board otherwise determines, in which event the Option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not also be a director of any member of the Group) shall be the last actual working day on which the Grantee was physically at work with the relevant member of the Group, whether salary is paid in lieu of notice or not.
- (c) In the event the Grantee dies before exercising the Option in full and none of the events for termination of employment or engagement under paragraph 12(f) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the Option up to the entitlement of such Grantee as at the date of death.
- (d) If a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 5(e) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company at any time within such period as shall be notified by the Company.
- (e) If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company.
- (f) In the event a notice is given by the Company to its shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.
- (g) In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 5(e) above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and

the Grantee may at any time thereafter but before such time as shall be notified by the Company exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

(h) Upon the occurrence of any of the events referred to in paragraphs 5(d), (e), (f) and (g) above, the Company may in its discretion and notwithstanding the terms of the relevant Option also give notice to a Grantee that his or her Option may be exercised at any time within such period as shall be notified by the Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by the Company. If the Company gives such notice that any Option shall be exercised in part only, the balance of the Option shall lapse.

6. At the time of grant of the Options, the Company may specify any minimum period(s) for which an Option must be held before it can be exercised. The Share Option Scheme does not contain any such minimum period.

7. At the time of grant of the Options, the Company may specify any performance target(s) which must be achieved before the Options can be exercised in whole or in part. The Share Option Scheme does not contain any such performance targets.

8. The amount payable on acceptance of an Option is HK\$1.00.

9. The subscription price for the Shares the subject of the Options shall be no less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share on the Date of Grant. The subscription price will be established by the Board at the time the Option is offered to the Participant.

10. The Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of the Company. Prior to the Grantee being registered on the register of members of the Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company), in respect of the Shares to be issued upon the exercise of the Option.

11. No Options may be granted under the Share Option Scheme on or after the date of the tenth anniversary of the adoption of the Share Option Scheme.

12. An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the Option period;

(b) the date or the expiry of the period for exercising the Option as referred to in paragraphs 5(b), (c), (d), (e), (f) or (g) above;

(c) subject to the scheme of arrangement (referred to in paragraph 5(e) above) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 5(e) above;

- (d) subject to paragraph 5(f) above, the date of commencement of the winding up of the Company;
- (e) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any other person, over or in relation to any Option in breach of the Share Option Scheme;
- (f) the date on which the Grantee (being an employee or a director of any member of the Group) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
- (g) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;
- (h) where the Grantee is an employee, director, officer or contract consultant of a member of the Group (other than the Company), the date on which such member ceases to be a member of the Group; and
- (i) unless the Board otherwise determines, and other than in the circumstances referred to in paragraphs 5(b) or 5(c), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

13. In the event of an alteration in the capital structure of the Company whilst any Option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares or reduction of the share capital of the Company, but excluding, for the avoidance of doubt, any alteration in the capital structure of the Company as a result of an issue of shares as consideration in a transaction to which the Company is a party, the auditors of or the financial adviser engaged by the Company for such purpose shall determine what adjustment is required to be made to the subscription price, and/or the number of shares to be issued on exercise of the Options, and/or (if necessary) the method of exercise of the Option (or any combination of the foregoing) provided that any such adjustments give the Participant the same proportion of the equity capital of the Company, provided that no adjustment may be made to the extent that shares would be issued at less than their nominal value.

14. Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the same Grantee provided such Options fall within the limits specified in paragraph 3 above and are otherwise granted in accordance with the terms of the Share Option Scheme.

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

16. The Company by ordinary resolution of Shareholders, or the Board, may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered or granted, but in all other respects the Share Option Scheme shall remain in full force and effect. Any granted but unexercised and unexpired Options shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

17. The Options are not transferable, except for the transmission of an Option on the death of a Grantee to his personal representative(s) on terms of the Share Option Scheme.

18. Subject to the terms set out in the paragraph below, the Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Share Option Scheme, which are not found in chapter 17 of the Stock Exchange Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date).

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Stock Exchange Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration of the terms herein shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with chapter 17 of the Stock Exchange Listing Rules.

Present status of the Share Option Scheme

The Share Option Scheme is conditional on:

- (a) the Listing Committee granting approval of such scheme and the grant of options thereunder and granting of the listing of, and permission to deal in, the Shares to be issued as mentioned therein; and
- (b) the commencement of dealings in the Shares on the Stock Exchange.

If both of the above conditions are not satisfied on or before the date following six months after the date of adoption of the Share Option Scheme (or such later date as the Board may decide), the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme. As at the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme. Exercise of any of the options which may be granted under the Share Option Scheme will have a dilution effect on the shareholdings of the Shareholders at the time of such exercise of options as well as on the earnings/loss per Share for the relevant financial year of the Group.

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

(B) Share Award Plan

The Share Award Plan was adopted by the Company on 25 February 2004 and the Board on 19 March 2004. As at the date of this prospectus, no Shares have been awarded or agreed to be awarded pursuant to the Share Award Plan.

The Company's remuneration committee, with a majority of the votes being exercisable by the independent non-executive Directors, has been delegated with the power to administer the Share Award Plan. The senior management of the Company will from time to time make proposals to the said committee on the potential beneficiaries and the number of Shares to be awarded to such beneficiaries. The remuneration committee will then decide whether to accept any such proposal. If the remuneration committee accepts any such proposal (with or without any amendments at its discretion), it will then determine as to when

the awards will be made and then instruct the Trustee accordingly. If the initial pool of 46,223,520 Shares (see paragraphs (i) and (ii) below for details) and the Shares available from the sources referred to in paragraphs (v) and (vi) below shall be depleted and there are insufficient Shares for the purpose of making Share awards under this plan, the remuneration committee will make cash payments to the Trustee which will use the same to subscribe for or purchase Shares (see paragraphs (iii) and (iv) below). Under such situation, the remuneration committee will give instructions to and inform the Trustee on the following:

- (a) the name of the beneficiary and stating whether such beneficiary is a connected person;
- (b) the number of Shares awarded; and
- (c) the amount of cash payments to be made available to the Trustee to subscribe for or purchase the specified number of Shares.

The remuneration committee will direct the Company to give such amount of cash to the Trustee for the purposes of subscribing for or purchasing Shares (as the case may be). Then the Trustee will, within 5 business days of receipt of the cash (or such other period as the Company and the Trustee may agree), subscribe for or purchase (as the case may be) such number of Shares for making awards under the plan. After the Shares have been issued to or purchased by (as the case may be) the Trustee (which shall hold the Shares during the vesting period), the Trustee will maintain two separate accounting records for the Shares held by the Trustee under the Share Award Plan, one for Shares subscribed for the benefit of persons not being connected persons of the Company, and one for the Shares purchased for the benefit of connected persons of the Company.

The class of the beneficiaries eligible for awards of Shares to be made under the Share Award Plan will include directors, senior management members and other employees of members of the Group. With respect to the awards to connected persons, it is a term of the relevant trust deed that the Trustee shall use the money to purchase Shares from the market for such purpose so that such awards will not constitute any connected transactions of the Company. For awards to persons not being connected persons, it is a term of the relevant trust deed that the Trustee shall subscribe for new Shares at par from the Company for such purpose, which will also not constitute connected transactions of the Company.

If any awards are proposed to be made to any executive or non-executive Directors (excluding the independent non-executive Directors) or a director of any member (other than the Company) of the Group under the Share Award Plan, the relevant award must be approved by the independent non-executive Directors. Furthermore, in the event that an award is proposed to be made to an executive or non-executive Directors (excluding the independent non-executive Directors) or a director of any member (other than the Company) of the Group and such proposed award, if made, would result in the Shares issued and to be issued under the Share Award Plan to any such director in the 12-month period up to and including the date of such proposed award representing in aggregate over 1% of the Shares in issue as at such date, such award must be approved by the shareholders of the Company at general meeting.

The awards which may be made under the Share Award Plan to the Directors form part of the remuneration (being discretionary bonus in the form of a Share award or discretionary cash bonus satisfied in the form of the Shares) of the Directors.

The Shares available under the Share Award Plan will come from the following sources:

- (i) On 22 March 2004, a total number of 44,000,000 Shares were allotted and issued, by way of capitalising HK\$4,400,000 of our retained earnings, to the Trustee for the purpose of making awards after

the Listing Date. Such Shares represent approximately 2.1% of the total issued share capital of our Company immediately before the Global Offering, and will represent approximately 1.8% of our Company's total issued shares immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised);

- (ii) 2,223,520 Shares were transferred on 22 March 2004 from Cardio Investments Limited holding such Shares as trustee for the relevant awards under the Pre-IPO Stock Reward Scheme of Solomon Systech Limited and they represent forfeited Shares under the Pre-IPO Stock Reward Scheme;
- (iii) The Company may, from time to time, make payments to the Trustee for the purpose of subscribing for new Shares from the Company at par and make award of such Shares to persons who are not connected persons (within the meaning of the Stock Exchange Listing Rules) of the Company;
- (iv) The Trustee may also, from time to time, receive money from the Company for the purpose of purchasing Shares in the open market and making awards of such Shares under the Share Award Plan to persons who are connected persons of the Company. However, the Trustee will not purchase Shares in the open market for such purpose during the period commencing one month immediately preceding the earlier of the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Stock Exchange Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period and the deadline for our Company to publish an announcement of our results for any year, half-year, quarterly or any other interim period, and ending on the date of the results announcement;
- (v) Since Cardio Investments Limited (as trustee holding certain Shares awarded under the Pre-IPO Stock Reward Scheme) is still holding 56,450,000 Shares, which have been awarded to, and vested in, certain officers and employees of the Group, but such Shares are subject to the non-disposal lock-up and forfeiture arrangements referred to below (see "Pre-IPO Schemes — Pre-IPO Stock Reward Scheme" in this Appendix) such that if any of such officers or employees shall cease to be under the employ or engagement of any member of the Group prior to the first anniversary of the Listing Date, his Shares shall be forfeited; accordingly, in the event of any forfeiture of Shares upon the occurrence of any of the aforesaid events, such forfeited Shares will be transferred to the Trustee and will be held for the purpose of making awards under the Share Award Plan; and
- (vi) The Trustee is holding 75,000,000 Shares awarded under the Pre-IPO Stock Reward Scheme, which are subject to a vesting period of up to two years (see "Pre-IPO Schemes — Pre-IPO Stock Reward Scheme" in this Appendix) such that if a recipient of an award shall leave the employ or engagement of the Group before expiry of the relevant vesting period, the Shares awarded (but remain unvested) will revert to the Trustee who will then hold such Shares for the benefit of the Share Award Plan.

Accordingly, the Shares to be awarded to officers/employees of the Group under the Share Award Plan will be at no cost to such officers/employees. In any given financial year of the Company, the maximum number of Shares to be subscribed and purchased by the Trustee for the purpose of the Share Award Plan will not exceed 2% of the total issued Shares of the Company as at the beginning of each such financial period. For the purposes of making the Share awards under the Share Award Plan referred to in paragraph (iii) above, the Board will seek from the Shareholders at any general meeting of the Company a separate mandate to allot and issue Shares. The separate mandate will:

- (a) specify the maximum number of Shares which may be allotted and issued for making the Share awards under the Share Award Plan until the conclusion of the Company's next annual general meeting; and

(b) only remain in effect until (1) the conclusion of the Company's next annual general meeting; (2) the expiration of the period within which the Company's next annual general meeting is required by any applicable law or the Articles of Association to be held; and (3) it is varied or revoked by an ordinary resolution of the Company's shareholders in general meeting, whichever is the earliest.

At the general meeting at which the aforesaid separate mandate is sought, the Shareholders who are entitled to receive awards through subscription of new Shares pursuant to the Share Award Plan, including such Shareholders being senior management and employees of the Group (but excluding, for the avoidance of doubt, directors of members of the Group), will abstain from voting on the relevant resolution(s) granting the mandate. In addition, the Company will, in its circular to the Shareholders for convening the said general meeting, disclose the aggregate fair value of the Shares to be issued under the Share Award Plan pursuant to the aforesaid separate mandate.

In its annual reports, the Company will also set out the relevant information regarding the impact of the allotment and issue of Shares under the Share Award Plan for the following financial year, including the analysis of or reference to the estimated fair value of the Shares to be issued, and the dilution effect on the Shareholders and the likely impact on the employee costs incurred by the Company if such Shares are issued at the estimated fair value.

It is a condition under the Share Award Plan that following the making of an award, the Shares so awarded will be subject to a two year vesting period. During the said vesting period, the Shares are held by the Trustee. With respect to any award of Shares under the Share Award Plan, the recipient of such award shall not be entitled to any legal or beneficial interest in such award Shares prior to the first anniversary of the date of the award; and as from the first anniversary of the date of the award up to (but excluding) the date of the second anniversary of the award, such recipient is entitled to receive 40% of the Shares under the award (such 40% entitlement therefore becomes vested in such recipient on the said first anniversary date); and as to the balance of 60% of the award, such Shares will become vested, and the recipient will be entitled to receive such Shares, as from the second anniversary of the date of the award. However, if a recipient of an award shall leave the employ of the Group before expiry of the relevant vesting period, the Shares awarded (but remain unvested) will revert to the Trustee who will then continue to hold such Shares for future award to other employees at the instruction of the remuneration committee under the Share Award Plan.

(8) PRE-IPO SCHEMES

Awards and grants of options have been made or offered under the Pre-IPO Stock Reward Scheme, the Pre-IPO Share Purchase Scheme, the Pre-IPO Loyalty Plan and the Pre-IPO Share Option Scheme below, and no further awards or grants of options will be made under them.

(A) Pre-IPO Share Option Scheme

The Company has conditionally adopted the Pre-IPO Share Option Scheme by a resolution passed by the Shareholders at an extraordinary general meeting held on 25 February 2004 and a resolution of the Board on 19 March 2004. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain directors of members of the Group to the growth of the Group and/or to the listing of Shares on the Stock Exchange. The exercise of any options granted under the Pre-IPO Share Option Scheme is conditional on: (i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and (ii) the commencement of the dealings in the Shares on the Stock Exchange.

On 19 March 2004, options to subscribe for an aggregate of 6,300,000 new Shares from the Company at the Offer Price were offered by the Company to the following persons (at a nominal consideration of HK\$1.00 payable by each grantee) in such number as set opposite against their names below under the Pre-IPO Share Option Scheme:

Name of grantee	Address	Title/Position	Number of Shares subject to the options
Leung Kwong Wai	Flat A1-1 Summit Court 144 Tin Hau Temple Road North Point Hong Kong	Managing Director	800,000
Huang Hsing Hua	Flat E, 24th Floor, Block 2 Wai Wah Center No.11-17 Shatin Center Street Shatin New Territories Hong Kong	Executive Director	300,000
Lo Wai Ming	Flat D, 2nd Floor, Block 4 Richwood Park 33 Lo Fai Road Tai Po New Territories Hong Kong	Executive Director	300,000
Lai Woon Ching	Flat A, 8/F., Tower 11 Discovery Park 398 Castle Peak Road Tsuen Wan New Territories Hong Kong	Executive Director	300,000
Lam Pak Lee	9F, No.116, Hou Kang Street Shih Ling District Taipei Taiwan	Non-Executive Chairman	800,000
Chang Ching Yi, Steven	11-2 Floor No.88, Anho Road Section 2 Taipei Taiwan	Non-Executive Director	800,000
Lin Hsin Yih	No 395, 8/F Shi-Yuan Road Shindian City 231 Taiwan	Chairman and Executive Director of Solomon Systech Limited	500,000
Wong Yuet Leung, Frankie	Flat F, 20th Floor, Block 3 Estoril Court 55 Garden Road Hong Kong	Non-Executive Director	500,000

Name of grantee	Address	Title/Position	Number of Shares subject to the options
Choy Kwok Hung, Patrick	37 Mount Sinai Rise #06-01 Leighwoods Singapore	Independent Non-Executive Director	500,000
Sun, Patrick	Apartment 1 3/F 41A Stubbs Road Hong Kong	Independent Non-Executive Director	500,000
Kao, Kuen Charles	B2, 20/F. San Francisco Towers 35 Ventris Road Happy Valley Hong Kong	Independent Non-Executive Director	500,000
Lui Kit Har, Keziah	Flat E, 1st Floor, Tower 8 Villa Esplanada 8 Nga Ying Chau Street Tsing Yi New Territories Hong Kong	Company Secretary/ Director of Solomon Systech (Shenzhen) Limited	500,000

Exercise of any of the above outstanding options will have a dilution effect on the shareholdings of the Shareholders at the time of such exercise of options as well as on the earnings/loss per Share for the relevant financial year of the Group. Save for the above, no further options will be offered under the Pre-IPO Share Option Scheme. Assuming that all of the outstanding options offered under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interests of the public would be reduced from approximately 25.0% to approximately 24.9% of the issued share capital of our Company, taking no account of any Shares which may be sold pursuant to the exercise of the Over-allotment Option, or options granted under the Share Option Scheme or any Shares which may be issued by the Company pursuant to the general mandate. These options will not be exercisable until after the date falling 12 months after the Listing Date. The Directors will not exercise any options if as a result of which the Company will not be able to comply with the public float requirements of the Stock Exchange Listing Rules.

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme except that:

- (a) the subscription price per Share for each of the grantees is the Offer Price;
- (b) the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme, the Share Option Scheme and any other share option schemes of the Company in relation to Shares must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time;
- (c) the total number of Shares subject to the Pre-IPO Share Option Scheme are 6,300,000 Shares equivalent to approximately 0.3% (prior to the Global Offering) and approximately 0.3% (immediately following completion of the Global Offering (assuming that the Over-allotment Option and any of the options offered under the Pre-IPO Share Option Scheme have not been exercised)) of the issued share capital of the Company;

- (d) subject to paragraph (b) above, there is no provision limiting the maximum number of options that may be granted to any individual grantee under the Pre-IPO Share Option Scheme;
- (e) the grantees eligible for the options comprise only the directors of members of the Group;
- (f) each of the grantees of options will only be entitled to exercise his or her options after the date falling 12 months after the Listing Date and during any period as notified by Board (or a committee thereof) and expiring not more than ten years after the date of grant;
- (g) the provisions on the granting of options to connected persons (as defined in the Listing Rules) were not included;
- (h) the price sensitive development provisions relating to grant of options were not included;
- (i) although this scheme provides that options can be offered and granted up to 9:00 a.m. on the business day before the Listing Date, the Directors have confirmed that no further options (other than those referred to above) will be offered under this scheme.

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

(B) Pre-IPO Loyalty Plan

The Pre-IPO Loyalty Plan was adopted by the Shareholders on 25 February 2004 and the Board on 19 March 2004. Four Directors, five senior management members and 23 other employees of the Group were selected to participate in the Pre-IPO Loyalty Plan on 19 March 2004.

The details of the Share awards made to the Directors under the Pre-IPO Loyalty Plan are set out below:

Name	Title/Position	Number of Shares awarded
Leung Kwong Wai	Managing Director	12,000,000
Huang Hsing-Hua.....	Executive Director	3,200,000
Lo Wai Ming	Executive Director	7,200,000
Lai Woon Ching.....	Executive Director	4,000,000

In addition to the above, a total of five senior management members of the Group have been awarded an aggregate number of 12,200,000 Shares, and a total of 23 other employees of the Group have been awarded an aggregate number of 31,400,000 Shares, under the Pre-IPO Loyalty Plan.

The Pre-IPO Loyalty Plan is a one-off plan and is close-ended, and therefore apart from the aforementioned beneficiaries who have been awarded the above-mentioned number of Shares, no further awards will be made under the Pre-IPO Loyalty Plan. All the awards made under the Pre-IPO Loyalty Plan will vest on 1 April 2004 (but subject to the lock-up arrangements referred to below).

It is a condition of the awards made under the Pre-IPO Loyalty Plan that following the vesting of the award Shares, such Shares will be subject to lock-up for a period from the vesting date up to four years after the Listing Date. During the said lock-up period, the Shares are held by the Trustee (acting as custodian only in relation to such Shares and under a custodian agreement entered into between the Company, the Trustee and the recipients of the awards). 100% of the award Shares will be locked up from the time of the vesting up to (but excluding) the date of the first anniversary of the Listing Date; 25% of such Shares will be released from the lock-up after the first anniversary of the Listing Date; and with respect to the

remaining 75% of such Shares, they will continue to be subject to the lock-up and will only be released from the lock-up in three equal tranches on each of the subsequent anniversary of the Listing Date. However, if any recipient of an award of Shares shall cease to be under the employ, or cease to be an officer, of any member of the Group before expiry of the relevant lock-up period, his award Shares still subject to lock-up will be transferred and sold to the Trustee (for a nominal consideration), and the Trustee will allocate such Shares on a pro rata basis (subject to rounding) to the other recipients of awards (who remain under the employ or otherwise being officers of any member of the Group) under the Pre-IPO Loyalty Plan.

The above-mentioned Shares awarded under the Pre-IPO Loyalty Plan (aggregating 70,000,000 Shares, representing approximately 3.4% of the entire issued share capital of our Company immediately before the Global Offering and approximately 2.9% immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised)) are currently held by the Trustee. Such Shares were allotted and issued by the Company capitalising HK\$7,000,000 of its retained earnings. Accordingly, such Shares are given at no cost to the recipients of awards under the Pre-IPO Loyalty Plan.

(C) Pre-IPO Stock Reward Scheme

The Pre-IPO Stock Reward Scheme comprises the employee share reward plan of Solomon Systech Limited and the pre-IPO share reward plan adopted by the Company in place thereof after the Reorganisation.

(a) *Employee share reward plan of Solomon Systech Limited*

Solomon Systech Limited adopted the employee share reward plan on 9 August 2001, under which a total of 5,645,000 shares of HK\$1.00 each in the capital of Solomon Systech Limited became vested in certain officers and employees of the Group on 23 December 2003, which shares were subsequently transferred to the Company pursuant to the Reorganisation and a total of 56,450,000 Shares were issued to Cardio Investments Limited, as trustee, holding the same for the aforesaid officers and employees until the date falling twelve months after the Listing Date.

The details of the Share awards made to the Directors under the employee share reward plan adopted by Solomon Systech Limited are set out below:

Name	Title/Position	Number of Shares awarded
Leung Kwong Wai	Managing Director	13,000,000
Huang Hsing-Hua.....	Executive Director	750,000
Lo Wai Ming	Executive Director	3,000,000
Lai Woon Ching.....	Executive Director	2,300,000

In addition to the above, a total of five senior management members of the Group have been awarded an aggregate number of 7,600,000 Shares, and a total of 92 other employees of the Group have been awarded an aggregate number of 29,800,000 Shares, under the employee share reward plan adopted by Solomon Systech Limited.

Each of the said officers and employees has:

- (i) undertaken to Cardio Investments Limited not to dispose of or encumber his/her award Shares during the period from the date on which the award Shares were issued to Cardio Investments Limited to the date falling twelve months after the Listing Date; and

(ii) granted a call option to Cardio Investments Limited in respect of their respective award Shares exercisable by Cardio Investments Limited in whole for the total consideration of HK\$1.00 for all of their respective Shares in the event that his engagement or employment with the Group ceases within the said period, and such officer or employee will be treated as having forfeited his award Shares, and such forfeited Shares will be transferred to the Trustee who will hold such Shares for the benefit of the Share Award Plan.

(b) *Pre-IPO share reward plan of the Company*

In addition, on 19 March 2004, 75,000,000 Shares were offered (subject to the vesting period referred to below) by the Company to certain directors, senior management members and other employees of the Group under the pre-IPO share reward plan adopted by the Shareholders on 25 February 2004 and the Board on 19 March 2004.

The details of the Share awards offered to the Directors under the pre-IPO share reward plan adopted by the Company are set out below:

Name	Title/Position	Number of Shares offered
Leung Kwong Wai	Managing Director	14,400,000
Huang Hsing-Hua.....	Executive Director	2,500,000
Lo Wai Ming	Executive Director	4,800,000
Lai Woon Ching	Executive Director	3,400,000

In addition to the above, a total of five senior management members of the Group have been offered an aggregate number of 9,600,000 Shares, and a total of 134 other employees of the Group have been offered an aggregate number of 40,300,000 Shares, under the pre-IPO share reward plan adopted by the Company.

Such Shares were issued by the Company capitalising HK\$7,500,000 of its retained earnings and they have been issued to and are held by the Trustee for such officers and employees. It is a condition of such awards that the Shares will be subject to a two year vesting period. During the said vesting period, the Shares are held by the Trustee, and the recipients of such awards shall not be entitled to any legal or beneficial interest in such award Shares prior to the first anniversary of the date of the award; and as from the first anniversary of the date of the award up to (but excluding) the date of the second anniversary of the award, each such recipient is entitled to receive 40% of the Shares under the award (such 40% entitlement therefore becomes vested in such recipient on the said first anniversary date); and as to the balance of the award, such Shares will become vested, and the recipient will be entitled to receive such Shares, as from the second anniversary of the date of the award. However, if a recipient of an award shall leave the employ or engagement of the Group before expiry of the relevant vesting period, the Shares awarded (but remain unvested) will revert to the Trustee who will then continue to hold such Shares for the benefit of the Share Award Plan.

The above-mentioned Shares, in aggregate, awarded under the Pre-IPO Stock Reward Scheme represent approximately 6.3% of the entire issued share capital of our Company immediately before the Global Offering and approximately 5.4% immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Apart from the above, no further Shares will be awarded under the Pre-IPO Stock Reward Scheme.

(D) Pre-IPO Share Purchase Scheme

Solomon Systech Limited adopted the Pre-IPO Share Purchase Scheme on 29 July 2003, under which a total of 118,290,250 Shares have been awarded to employees of the Group on 9 February 2004.

The details of the Share awards made to the Directors under the Pre-IPO Share Purchase Scheme are set out below:

Name	Title/Position	Number of Shares awarded
Leung Kwong Wai	Managing Director	30,000,000
Huang Hsing-Hua.....	Executive Director	4,000,000
Lo Wai Ming	Executive Director	7,000,000
Lai Woon Ching	Executive Director	5,000,000

In addition to the above, a total of five senior management members of the Group have been awarded an aggregate number of 16,500,000 Shares, and a total of 105 other employees of the Group have been awarded an aggregate number of 55,790,250 Shares, under the Pre-IPO Share Purchase Scheme.

This scheme was established through options granted by eight existing shareholders of the Company (namely, China Power Venture Capital Co., Ltd, Global Vision Venture Capital Co., Ltd., China International Investment Co., Ltd, CAM-CID Asia Pacific Investment Corp., Nien Hsing International Investment Co., China Century Venture Capital Co., Ltd, J&D Capital Corp. and A&D Capital Corp.) in relation to their existing shareholdings to Mr. Leung Kwong Wai. Under the terms of this scheme, the beneficiaries would have to pay HK\$0.174 for each Share that they were awarded, unless certain performance targets set for the financial year ending 31 December 2003 were met, in which case the purchase consideration would be paid for by the Company and recorded as an expense of the Company. Such performance targets have been met, the purchase consideration has been funded by the Company. Approximately HK\$8,004,000 was funded by the Group in respect of awards made to certain Directors under the Pre-IPO Share Purchase Scheme.

The awarded Shares have vested in the relevant beneficiaries, but they are held by Cardio Investments Limited as trustee for the beneficiaries for a lock-up period commencing from the date of vesting to a date falling twelve months after the Listing Date. On expiration of the said lock-up period, the relevant Shares will be transferred to the relevant beneficiaries.

The above-mentioned 118,290,250 Shares awarded under the Pre-IPO Share Purchase Scheme represent approximately 5.7% of the entire issued share capital of our Company immediately before the Global Offering and approximately 4.9% immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Apart from the above, no further Shares will be awarded under this scheme.

The Trustee, which hold Shares as the custodian for the Pre-IPO Loyalty Plan and the trustee for both the Share Award Plan and the pre-IPO share reward plan adopted by the Company (being part of the Pre-IPO Stock Reward Scheme), is subject to the relevant laws governing trustees; whereas Cardio Investments Limited, which hold Shares as the trustee for both the employee share reward plan of Solomon Systech Limited (being part of the Pre-IPO Stock Reward Scheme) and the Pre-IPO Share Purchase Scheme, is not subject to the relevant laws governing trustees.