

I. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

We were incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 16 November 2007. Our principal place of business in Hong Kong is at Suites 06-12, 33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong and we have registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance under the same address. Ms. Ho Wing Yan has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process to our Company is Suites 06-12, 33/F Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. As we are incorporated in the Cayman Islands, our corporate structure, our memorandum of association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our memorandum of association and Articles of Association and certain relevant aspects of the Cayman Islands Companies Law are set out in Appendix V to this prospectus.

2. Changes in the share capital of our Company

The following sets out the changes in our share capital within the two years preceding the date of this prospectus:

- (a) As of the date of incorporation of the Company on 16 November 2007, its authorized share capital was US\$50,000,000 divided into 500,000,000 shares of par value of US\$0.10 each. One such share was issued nil-paid to Offshore Incorporations (Cayman) Limited and was subsequently transferred to Hongxin Joint Stock on 16 November 2007 in consideration of US\$ 0.1 directly paid to the Company;
- (b) On 16 November 2007, 80 and 19 shares of US\$0.10 each were issued and allotted, credited as fully paid, to Chenlin International and Hongxin Joint Stock respectively in consideration of US\$8.0 and US\$1.9;
- (c) On 15 September 2008, 52,500,000 additional shares of US\$0.10 each were issued and allotted to Chenlin International for the settlement of the acquisition of the entire interest in Weihai Electronic;
- (d) On 17 September 2008, 3,500,000 additional shares of US\$0.10 each were issued and allotted, credited as fully paid, to Chenlin International in consideration of US\$0.7 million;
- (e) On 19 September 2008, 28,510,323 additional shares of US\$0.10 each were issued and allotted, credited as fully paid, to Chenlin International for the settlement of the acquisition of 21.1% interest in Weihai Cable, 25% interest in Wuhan Electronic, 25% interest in Dezhou Electronic, 25% interest in Changshu Electronic, 15% interest in Changshu Cable, 34.7% interest in Changshu Connecting-Technology and 25% interest in Dongguan Electronic;
- (f) On 8 November 2008, 4,807,067 additional shares of US\$0.10 each were issued and allotted, credited as fully paid, to SCGC Capital in consideration of US\$5.0 million;
- (g) On 8 June 2010, 2,857,422 additional shares of US\$0.10 each were issued and allotted to Samford in consideration of US\$5 million; and
- (h) Pursuant to the written resolution of our Shareholders passed on 25 October 2010 and referred to in the paragraph headed “Resolutions of our Shareholders” below, (i) the then

issued and unissued shares of US\$0.10 each of the Company was subdivided into five Shares of US\$0.02 each; and (ii) a total of 79,125,440 Shares of US\$0.02 each were subsequently allotted, issued and credited as fully paid at par to the then Shareholders in proportion as nearly as possible to their then respective shareholdings without fraction by way of capitalization of the sum of US\$1,582,508.8 standing to the credit of the share premium account of our Company.

After the Subdivision and the Capitalization Issue mentioned herein and assuming that the Global Offering become unconditional and the Offer Shares are issued but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, our issued share capital upon completion of the Global Offering will be US\$14,400,000 divided into 720,000,000 Shares of US\$0.02 each fully paid or credited as fully paid.

Save as disclosed in this appendix, there has been no alteration in our share capital within the two years preceding the date of this prospectus.

3. Resolutions of our Shareholders

Pursuant to the written resolutions passed by our Shareholders on 25 October 2010:

- (a) each of the issued and unissued shares of US\$0.10 in the share capital of the Company was subdivided into five Shares of US\$0.02 each (the “Subdivision”);
- (b) our Company approved and conditionally adopted the Memorandum and Articles of Association;
- (c) conditional upon the conditions for completion of the Global Offering being fulfilled:
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option; and;
 - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorized to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the options which may be granted under the Share Option Scheme;
- (d) our Directors are authorized, immediately following the completion of the Subdivision, to allot and issue a total of 79,125,440 Shares of US\$0.02 each credited as fully paid at par to the then Shareholders whose names appeared on the register of the Company on 25 October 2010 in proportion as nearly as possible to their then respective shareholdings without fraction by way of capitalization of the sum of US\$1,582,508.8 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;
- (e) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:
 - (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering and the Capitalization Issue (excluding

Shares which may be allotted and issued under the Over-allotment Option and options that may be granted under the Share Option Scheme); and

- (ii) the aggregate nominal amount of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in sub-paragraph (f) below.

Such mandate will expire:

- at the conclusion of the next annual general meeting of our Company;
- at the end of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association, the Cayman Islands Companies Law or other applicable laws of the Cayman Islands; and
- when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company;

whichever occurs first;

- (f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued under the Over-allotment Option and options that may be granted under the Share Option Scheme):

This mandate only relates to repurchase made on the Hong Kong Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire:

- at the conclusion of the next annual general meeting of our Company;
- at the end of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association, the Cayman Islands Companies Law or other applicable laws of the Cayman Islands; and
- when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company;

whichever occurs first.

4. Changes in the share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report set forth in Appendix I.

The following sets out the alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this prospectus:

- (a) On 25 June 2009, the registered capital of Weihai Electronic was increased from US\$15.5 million to US\$20.0 million, and the registered capital was fully paid up.
- (b) On 4 March 2009, the registered capital of Weihai Cable was increased from US\$5.0 million to US\$8.0 million, and the registered capital was fully paid up.

- (c) On 15 September 2009, the registered capital of Changshu Electronic was increased from US\$2.0 million to US\$5.0 million, and the registered capital was fully paid up.
- (d) On 19 June 2009, the registered capital of Changshu Cable was increased from US\$3.5 million to US\$6.5 million, and the outstanding registered capital in the sum of US\$2.4 million has not been paid up.
- (e) On 22 June 2009, the registered capital of Changshu Connecting-Technology was increased from US\$6.5 million to US\$8.5 million. On 18 October 2010, the registered capital of Changshu Connecting-Technology was further increased from US\$8.5 million to US\$12.5 million, and the outstanding registered capital in the sum of US\$4.8 million has not been paid up.
- (f) On 18 April 2009, Changshu Huarui was established in the PRC by Changshu Connecting-Technology and Mr. Cheng Guanghua as a limited liability company with a registered capital of RMB20 million, and the registered capital was fully paid up. No alteration in the share capital has occurred since Changshu Huarui's establishment.
- (g) On 5 November 2009, Shenzhen Communication Technology was established in the PRC by Changshu Cable and Ms. Yang Huahua as a limited liability company with a registered capital of RMB6 million, and the registered capital was fully paid up. No alteration in the share capital has occurred since Shenzhen Communication Technology's establishment.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years preceding the date of this prospectus.

5. Reorganization

The members of our Group underwent the Reorganization to rationalize the business and the structure of our Group in anticipation of the Global Offering. See "History, Reorganization and Group Structure — Reorganization" for details.

6. Repurchase of our own securities

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

6.1 Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

- (i) Shareholders' approval

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

(ii) Source of funds

Repurchases must only be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws 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 from time to time.

(iii) Trading restrictions

The total number of shares which a company is authorized to repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of our issued share capital of the company as of the date of the ordinary resolution authorizing such repurchase. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange, no matter whether the issue is on the Stock Exchange or not. In addition, all repurchases of securities on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage for that company required by the Stock Exchange. A company must procure that any broker appointed by it to effect the repurchase of securities discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request.

(iv) Status of repurchased securities

All repurchased securities (whether on the Stock Exchange or otherwise) are automatically delisted and the relative certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, the repurchased securities are treated as cancelled once the Company repurchases our securities.

(v) Suspension of repurchases

The Listing Rules prohibit a company from repurchasing its securities on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, a company (other than companies listed under Chapter 21 of the Listing Rules) shall not repurchase its securities during the period of one month immediately preceding the earlier of the publication of the annual report or interim report of the company, unless there are special circumstances. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following Business Day. In addition, the Company must disclose in its annual report and accounts details regarding repurchase of securities made during the year, including a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid by the company for such purchases. The directors' report shall contain reference to the purchases made during the year and the directors' reasons for making such purchases.

(vii) Connected Persons

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person, that is, a director, chief executive or substantial shareholder of the company or any of our subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

6.2 Information relevant to the repurchase mandate

- (i) Our Directors believe that it is in the best interests of our Company and our Shareholders to have a general authority from the Shareholders to enable our Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or our earnings per Share and will only be made when our Directors believe that such repurchases will benefit the Company and our Shareholders.
- (ii) In repurchasing securities, we may only apply funds legally available for such purchase in accordance with our Articles of Association and the applicable laws of the Cayman Islands.

Under the laws of the Cayman Islands, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles and subject to the Cayman Islands Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorized by the Articles and subject to the Cayman Islands Companies Law, out of capital.

- (iii) We expect that the carrying out in full of the repurchase of all relevant Shares at any time during the proposed purchase period might have a material adverse impact on the working capital requirements or the gearing position of the Company, comparing to the financial position of the Company as disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate if our Directors believe that the exercise of the repurchase mandate will have a material adverse impact on the working capital requirements or the gearing position of the Company.

- (iv) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined under the Listing Rules), have any present intention to sell any Shares to the Company or our subsidiaries in the event that the repurchase mandate is approved by the Shareholders.
- (v) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate according to the relevant resolution passed by the Shareholders in the extraordinary general meeting of the Company on 25 October 2010 and in accordance with the Listing Rules, any applicable laws of Hong Kong and the Articles of Association.
- (vi) If as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of such increase, may obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and may be required to comply with the relevant requirements under such provision as a result of the increase in proportionate interest. Save as aforesaid, our Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.

- (vii) Any repurchase of Shares which results in the amount of Shares held by the public being reduced to less than 25% of the issued share capital of the Company could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. Except in extraordinary circumstances, a waiver of this provision would not normally be given by the Stock Exchange. Our Directors do not have current intention to exercise the repurchase of securities which will result in the public float (as defined under the Listing Rules) being reduced to less than 25% of the issued share capital of our Company.
- (viii) No connected person of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

II. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

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

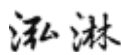



- (a) the equity transfer agreements dated 11 September 2008 entered into between the Company and Weihai Electronic as transferors, and United Metal and Yu Shun Rong (Shenzhen) as transferees, regarding the Company's disposal of a 25% equity interest in Dongguan Electronic and Weihai Electronic's disposal of a 75% equity interest in Dongguan Electronic, to United Metal and Yu Shun Rong (Shenzhen) respectively, at considerations of US\$0.75 million and US\$2.25 million respectively;

- (b) the Deed of Non-Competition dated 25 October 2010 entered into between the Company, Chenlin International and Mr. Chi in which Chenlin International and Mr. Chi have given certain undertakings to the Company, details of which are set out in the section headed “Relationship with Controlling Shareholder — Non-Competition Undertaking”;
- (c) a deed of indemnity dated 25 October 2010 entered into between Chenlin International, Mr. Chi and the Company (for ourselves and as trustee for each of our subsidiaries) whereby Chenlin International and Mr. Chi have provided certain indemnities in respect of tax and other matters in favor of the Group; and
- (d) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(i) Trademarks

As of the Latest Practicable Date, members of the Group had registered the following trademarks:

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
	Weihai Electronic	9	PRC	14 April 2008 – 13 April 2018	4747105
	Weihai Electronic	9	PRC	14 April 2008 – 13 April 2018	4747106
	Weihai Electronic	9	PRC	28 March 2010 – 27 March 2020	6263992
	Weihai Electronic	9	Korea	20 January 2009 – 19 January 2019	40-0776651

As of the Latest Practicable Date, members of the Group had applied for registration of the following trademarks:

Trademark	Trademark Applicant	Class(es)	Place of Registration	Application Date	Application Number
	The Company	9, 16 and 35	Hong Kong	30 April 2010	301602198
					
(in a series of 2)   	The Company	9, 16 and 35	Hong Kong	30 April 2010	301602206
(in a series of 3) 泓淋	The Company	9, 16 and 35	Hong Kong	30 April 2010	301602215
	Weihai Electronic	16	PRC	21 May 2010	8307048
	Weihai Electronic	35	PRC	21 May 2010	8307341
	Weihai Electronic	9	PRC	21 May 2010	8307564
	Weihai Electronic	16	PRC	21 May 2010	8307143
	Weihai Electronic	35	PRC	21 May 2010	8307313
泓淋	Weihai Electronic	16	PRC	21 May 2010	8307623
泓淋	Weihai Electronic	35	PRC	21 May 2010	8307651
泓淋	The Company	9	Taiwan	7 May 2010	099021604
泓淋	The Company	16	Taiwan	7 May 2010	099021603
泓淋	The Company	35	Taiwan	7 May 2010	099021602
	The Company	9	Taiwan	7 May 2010	099021601
	The Company	16	Taiwan	7 May 2010	099021600
	The Company	35	Taiwan	7 May 2010	099021596
	The Company	9	Taiwan	7 May 2010	099021594
	The Company	16	Taiwan	7 May 2010	099021592
	The Company	35	Taiwan	7 May 2010	099021589

(ii) Patents

As of the Latest Practicable Date, members of the Group had been granted the following patents:

<u>Patent</u>	<u>Patent Owner</u>	<u>Patent Type</u>	<u>Place of Registration</u>	<u>Validity Period</u>	<u>Patent Number</u>
The Bolt For Data Connecting Line 數據連接線 專用連接螺栓	Weihai Electronic	Utility Model	PRC	8 July 2008 – 7 July 2018	ZL200820025545.8
The Connecting Line With Internal Core 內置磁芯連接線	Weihai Electronic	Utility Model	PRC	27 May 2008 – 26 May 2018	ZL200820023367.5
The Computer Signal Connecting Line Interface 計算機信號連接線接口	Weihai Electronic	Utility Model	PRC	1 August 2008 – 31 July 2018	ZL200820026562.3
Data Connecting Line 數據連接線	Weihai Electronic	Utility Model	PRC	27 May 2008 – 26 May 2018	ZL200820023368.X
The Power Supply Signal Wire 可提供電源的信號線	Weihai Electronic	Utility Model	PRC	27 May 2008 – 26 May 2018	ZL200820023369.4
Computer Comprehensive Connecting Line 電腦綜合連接線	Weihai Electronic	Utility Model	PRC	25 April 2005 – 24 April 2015	ZL200520082772.0
The Front Port of Computer Data Line 電腦數據線前接口	Weihai Electronic	Utility Model	PRC	1 August 2008 – 31 July 2018	ZL200820026563.8
The Computer Combination Hub With Power Switch 帶電源開關的計算機組合接插座	Weihai Electronic	Utility Model	PRC	28 August 2007 – 27 August 2017	ZL200720027212.4
One-pieces Shield Plug 一體式屏蔽插頭	Weihai Electronic	Utility Model	PRC	21 April 2006 – 20 April 2016	ZL200620083601.4
One Type Connector 一種連接器	Weihai Electronic	Utility Model	PRC	14 November 2002 – 13 November 2012	ZL02255401.7

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Patent	Patent Owner	Patent Type	Place of Registration	Validity Period	Patent Number
Data Transmission Line(1) 數據傳輸線(1)	Weihai Electronic	Design	PRC	4 April 2005 – 3 April 2015	ZL200530091255.5
Data Transmission Line(4) 數據傳輸線(4)	Weihai Electronic	Design	PRC	14 April 2005 – 13 April 2015	ZL200530091423.0
One-Pieces Shield Plug (D-SUB) 一體式屏蔽插頭(D-SUB)	Weihai Electronic	Design	PRC	12 April 2006 – 11 April 2016	ZL200630091485.6
One-Pieces Shield Plug (DVI) 一體式屏蔽插頭(DVI)	Weihai Electronic	Design	PRC	12 April 2006 – 11 April 2016	ZL200630091484.1
Combination Seat (Longilineal) 組合座體長形	Weihai Electronic	Design	PRC	28 August 2007 – 27 August 2017	ZL200730020287.5
Combination Seat (Squareness) 組合座體方形	Weihai Electronic	Design	PRC	28 August 2007 – 27 August 2017	ZL200730020286.0
Combination Shielding Shell (Longilineal) 組合屏蔽殼長形	Weihai Electronic	Design	PRC	28 August 2007 – 27 August 2017	ZL200730020289.4
Combination Shielding Shell (Squareness) 組合屏蔽殼方形	Weihai Electronic	Design	PRC	28 August 2007 – 27 August 2017	ZL200730020288.X
Socket (Computer Data Line Squareness Interface) 插座電腦數據線方形接口	Weihai Electronic	Design	PRC	1 August 2008 – 31 July 2018	ZL200830017851.2
Socket (Computer Data Line Longilineal Interface) 插座電腦數據線長形接口	Weihai Electronic	Design	PRC	1 August 2008 – 31 July 2018	ZL200830017850.8

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Patent	Patent Owner	Patent Type	Place of Registration	Validity Period	Patent Number
The Reelable (Flexible Line with Hanger) 一種可撓式 軟性排線	Weihai Electronic	Utility Model	PRC	25 December 2008 – 24 December 2018	ZL200820232742.7
Data Connector 數據連接器	Weihai Electronic	Utility Model	PRC	21 September 2009 – 20 September 2019	ZL200920310868.6
One Type High- speed Signal Transmission Wire 一種高速信號 傳輸連接線	Weihai Cable	Utility Model	PRC	18 November 2009 – 17 November 2019	ZL200920315055.6
A Line Diameter Out-of-tolerance Detector 一種線徑超 差檢測儀	Weihai Cable	Utility Model	PRC	18 November 2009 – 17 November 2019	ZL200920315004.3
One Type Signal Coaxial Cable 一種信號 同軸電纜	Weihai Cable	Utility Model	PRC	17 November 2009 – 16 November 2019	ZL200920314948.9
One Type Signal Transmission Wire For Computer 一種計算機用 信號傳輸線	Weihai Cable	Utility Model	PRC	11 November 2009 – 10 November 2019	ZL200920314577.4
One Type Data Transmission Cable 一種數據傳 輸線纜	Weihai Cable	Utility Model	PRC	17 November 2009 – 16 November 2019	ZL200920314979.4
One Type DVI Digital Signal Transmission Wire 一種DVI數字 信號傳輸線	Weihai Cable	Utility Model	PRC	10 October 2009 – 9 October 2019	ZL200920312172.7
One Type Co- extruder Device For Wire & Cable 一種電線電 纜共擠裝置	Weihai Cable	Utility Model	PRC	10 October 2009 – 9 October 2019	ZL200920312180.1
High-frequency Signal Transmission Wire 高頻信號傳 輸線	Weihai Cable	Utility Model	PRC	19 May 2009 – 18 May 2019	ZL200920025392.1
Automatic Device for Taping Release 包帶自動放 帶裝置	Weihai Cable	Utility Model	PRC	19 March 2009 – 18 March 2019	ZL200920023833.4

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Patent	Patent Owner	Patent Type	Place of Registration	Validity Period	Patent Number
One Type Wire Connector 一種電線連接器	Weihai Cable	Utility Model	PRC	10 April 2009 – 9 April 2019	ZL200920020773.0
A High Definition Multimedia Interface 一種高清晰多媒體接口	Changshu Connecting — Technology	Utility Model	PRC	26 May 2008 – 25 May 2018	ZL200820009583.4
A Digital Video Interface Terminal Positioning Device 一種數字視頻接口端子的定位裝置	Changshu Connecting — Technology	Utility Model	PRC	26 May 2008 – 25 May 2018	ZL200820009584.9
High-speed Parallel Paired Data Cable 高速平行對稱數據線纜	Changshu Cable	Utility Model	PRC	19 December 2008 – 18 December 2018	ZL200820238288.6
Wire Extruder Sheath Vacuum Equipment 導線擠護套機的真空裝置	Changshu Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL20082039169.8
Cable Storage Shelf For Produce 線纜生產中 所用倉儲貨架	Changshu Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039168.3
Automatic Wire Tension Adjustment Device 導線張力自動調整裝置	Changshu Cable	Invention	PRC	25 July 2008 – 24 July 2028	ZL200810021112.X
Take-up Device of Braided Wire 編織線收線機構	Changshu Cable	Invention	PRC	25 July 2008 – 24 July 2028	ZL200810021114.9
Longitudinal Tape Tension Self-Controlling Device 縱包線張力自動控制裝置	Changshu Cable	Invention	PRC	25 July 2008 – 24 July 2028	ZL200810021115.3
Connector 連接器	Changshu Connecting — Technology	Utility Model	Taiwan	11 January 2010 – 2 July 2019	Xin Xing NO. 372558

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Patent	Patent Owner	Patent Type	Place of Registration	Validity Period	Patent Number
Dual Connector 兩用連接器	Changshu Connecting —Technology	Utility Model	Taiwan	11 January 2010 – 2 July 2019	Xin Xing NO. 372557
Connector 連接器	Changshu Connecting —Technology	Utility Model	Taiwan	21 January 2010 – 2 July 2019	Xin Xing NO. 373020

As of the Latest Practicable Date, members of the Group had been licensed to use the following patents:

Patent	Patent Licensee*	Patent Type	Place of Registration	Validity Period	Patent Number
Take-up System For Braided Wire 編織線收線機構	Weihai Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039172.X
Wire Detector 導線檢測裝置	Weihai Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039171.5
Automatic Wire Tension Adjustment Device 導線張力自動 調整裝置	Weihai Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039170.0
Shielding Cable 電纜遮罩線	Weihai Cable	Utility Model	PRC	19 December 2008 – 18 December 2018	ZL200820238287.1
Automatic Wire Tension Controlling Device For Vertical Envelope 縱包線張力自 動控制裝置	Weihai Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039173.4

* The patent owner and licensor of all the patents is another member of the Group, Changshu Cable.

As of the Latest Practicable Date, members of the Group had applied for the following patents:

Patent	Patent Applicant	Patent Type	Place of Registration	Application Date	Application Number
One-pieces Shield Plug 一體式屏蔽插頭	Weihai Electronic	Invention	PRC	13 April 2007	200710014526.5
The Computer Combination Hub With Power Switch 帶電源開關的計算機組合接 插座	Weihai Electronic	Invention	PRC	28 August 2007	200710016987.6
Shielding Computer Combination Hub 屏蔽式計算機組合接插座	Weihai Electronic	Invention	PRC	28 August 2007	200710016990.8
The Power Supply Signal Wire (Invention) 可提供電源的信號線 (發明)	Weihai Electronic	Invention	PRC	27 May 2008	200810016523.X

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Patent	Patent Applicant	Patent Type	Place of Registration	Application Date	Application Number
The Connection Line With Internal Core 內置磁芯連接線	Weihai Electronic	Invention	PRC	27 May 2008	200810016521.0
Data Connecting Line 數據連接線	Weihai Electronic	Invention	PRC	27 May 2008	200810016522.5
The Bolt for Computer Data Line 電腦數據線連接螺栓 (發明)	Weihai Electronic	Invention	PRC	8 July 2008	200810138271.8
A Data Signal Transmission 一種數字信號傳輸器	Weihai Electronic	Invention	PRC	21 September 2009	200910307348.4
One Type Reelable Flexible Line (Invention) 一種可繞式軟性排線 發明	Weihai Electronic	Invention	PRC	25 December 2008	200810238761.5
The Reelable Flexible Line with Hanger 帶掛鈎的可繞式軟性排線	Weihai Electronic	Invention	PRC	25 December 2008	200810238762.X
The Reelable Flexible Line with Hanger 帶掛鈎的可繞式軟性排線	Weihai Electronic	Utility Model	PRC	25 December 2008	200820232743.1
One Type DiiVA Digital Signal Transmission Wire 一種DiiVA數字信號傳輸線	Weihai Cable	Invention	PRC	18 November 2009	200910309910.7
One Type Digital Signal Transmission Wire 一種數字信號傳輸線	Weihai Cable	Utility Model	PRC	17 November 2009	200920314947.4
One Type E-SATA Data Transmission Cable 一種E-SATA數據傳輸電纜	Weihai Cable	Invention	PRC	18 November 2009	200910309895.6
A Production Equipment For Wire & Cable 一種電線電纜生產設備	Weihai Cable	Invention	PRC	11 November 2009	200910309573.1
High-frequency Signal Transmission Wire and Preparation Method 高頻信號傳輸線及其製備方法	Weihai Cable	Invention	PRC	19 May 2009	200910015602.3
One Type Data Signal Connector For Electrical Equipment 一種電器數據信號連接線	Weihai Cable	Invention	PRC	18 November 2009	200910309894.1
One Type Data Signal Connector For Electrical Equipment 一種電器數據信號連接線	Weihai Cable	Invention	PRC	18 November 2009	200910309896.0
A Satellite signal Coaxial Cable 一種衛星信號同軸電纜	Weihai Cable	Invention	PRC	18 November 2009	200910309911.1

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Patent	Patent Applicant	Patent Type	Place of Registration	Application Date	Application Number
A Wire Diameter Tolerance Detector 一種導線直徑超差檢測裝置	Weihai Cable	Invention	PRC	18 November 2009	200910309914.5
One Type DVI Signal Transmission Wire 一種DVI信號傳輸線	Weihai Cable	Utility Model	PRC	11 November 2009	200920314575.5
A Digital Insert Transmission Wire For High-end Display Device 一種高端顯示設備用數字接入傳輸線	Weihai Cable	Invention	PRC	11 November 2009	200910309572.7
One Type Signal Transmission Wire For Display 一種顯示器用信號傳輸線	Weihai Cable	Invention	PRC	11 November 2009	200910309550.0
One Type High-frequency Signal Transmission Wire 一種高頻信號傳輸線	Weihai Cable	Invention	PRC	15 April 2009	200910020502.x
One Type Displayport Signal Transmission Wire For Computer 一種計算機用Displayport信號傳輸線	Weihai Cable	Invention	PRC	11 November 2009	200910309551.5
Charger Wire 充電器線	Weihai Cable	Design	PRC	17 November 2009	200930325271.4
Telephone Wire(1) 電話線(1)	Weihai Cable	Design	PRC	17 November 2009	200930315309.8
Telephone Wire(2) 電話線(2)	Weihai Cable	Design	PRC	17 November 2009	200930325272.9
Power Cord(1) 電源線(1)	Weihai Cable	Design	PRC	17 November 2009	200930325305.x
Power Cord(2) 電源線(2)	Weihai Cable	Design	PRC	17 November 2009	200930325273.3
Signal Wire(1) 信號線(1)	Weihai Cable	Design	PRC	17 November 2009	200930325312.x
Signal Wire(2) 信號線(2)	Weihai Cable	Design	PRC	17 November 2009	200930325374.8
One Type RGB Signal Transmission Wire 一種RGB信號傳輸線	Weihai Cable	Utility Model	PRC	10 October 2009	200920312181.6
High-speed Parallel Paired Data Cable 高速平行對稱數據線纜	Changshu Cable	Invention	PRC	19 December 2008	200810243261.0
Shielding Cable 電纜屏蔽線	Changshu Cable	Invention	PRC	19 December 2008	200810243260.6

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<u>Patent</u>	<u>Patent Applicant</u>	<u>Patent Type</u>	<u>Place of Registration</u>	<u>Application Date</u>	<u>Application Number</u>
Cable Storage Shelf for Produce 線纜生產中所用倉儲貨架	Changshu Cable	Invention	PRC	25 July 2008	200810021110.0
Wire Extruder Sheath Vacuum Equipment 導線擠護套機的真空裝置	Changshu Cable	Invention	PRC	25 July 2008	200810021111.5
Wire Detector 導線檢測裝置	Changshu Cable	Invention	PRC	25 July 2008	200810021113.4
Data Transmission Cable 數據傳輸電纜	Changshu Cable	Invention	PRC	24 May 2010	201020203790.0
Data Transmission Cable 數據傳輸電纜	Changshu Cable	Utility Model	PRC	24 May 2010	201010183025.1
Low-frequency Coaxial Cable 低頻用的同軸電纜	Changshu Cable	Invention	PRC	13 June 2010	201010203501.1
Low-frequency Coaxial Cable 低頻用的同軸電纜	Changshu Cable	Utility Model	PRC	13 June 2010	201020229594.0
Dual Connector 兩用連接器	Changshu Connecting — Technology	Utility Model	PRC	24 September 2009	200920178153.x
A USB3.0 Plug Connector 一種USB3.0公口電子連接器	Changshu Connecting — Technology	Utility Model	PRC	5 November 2009	200920268552.5
Dual Connector 兩用連接器	Changshu Connecting — Technology	Utility Model	Taiwan	19 September 2009	098216628

(iii) Domain names

As of the Latest Practicable Date, members of our Group had full legal rights over and had registered the following domain names:

<u>Domain Name</u>	<u>Registrant</u>	<u>Validity Period</u>
www.honglincable.com	Weihai Cable	31 March 2015
www.hong-lin.com.cn	Weihai Electronic	23 August 2011
www.honglintech.com	Shenzhen Communication Technology	30 September 2011
www.hltechgroup.com	the Company	25 January 2013
www.hong-linhr.com	Changshu Huarui	2 June 2012

Save as aforesaid, there are no other trademarks, patents, other intellectual or industrial property rights which are material in relation to the Group's business.

III. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

Save as disclosed in this prospectus, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

1. Particulars of the Directors' service contracts**(a) Executive Directors**

Each of the executive Directors has entered into a service contract with our Company, pursuant to which each of them accepts that, for a specific term of three years from the Listing Date, their respective appointment as an executive Director shall be governed by the terms and conditions set out therein. The contract may be terminated by, among others, serving not less than three months' prior notice in writing by either party on the other, and upon such termination, the executive Director shall, upon the Company's request, resign immediately from such offices held by him in the Company or any other member of the Group. The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under Appendix 14 of the Listing Rules.

Each of the executive Directors is entitled to a fixed director's fee on top of their respective basic salaries entitled under their labour contracts.

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

Each of the non-executive Directors and independent non-executive Directors has signed a service contract with our Company, pursuant to which each of them accepts that their respective appointment as a non-executive Director for a term of three years from the Listing Date or an independent non-executive Director for a term of three years from the date of appointment, that (as the case may be) shall be governed by the terms and conditions set out therein. The service contract may be terminated by, among others, giving three months' prior notice in writing by either party to the other, and upon such termination, the non-executive Director or independent non-executive Director (as the case may be) shall, upon the Company's request, resign immediately from such offices held by him in the Company or any other member of the Group. Under their respective service contracts, each of the non-executive Directors (except Ms. Xu Yiming who is entitled to a fixed director's fee) are not entitled to any director's fee, and each of the independent non-executive Directors is entitled to a fixed director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under Appendix 14 of the Listing Rules.

2. Directors' Emoluments

For details of the Directors' emoluments in respect of the last three fiscal years and the current fiscal year, please see "Directors, Senior Management and Staff — Compensation of Directors and Senior Management."

3. Disclosure of interests in the share capital of our Company

- (a) Interests and/or short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations following the Global Offering

So far as our Directors are aware, immediately following completion of the Global Offering, the Subdivision and the Capitalization Issue (assuming the Over-allotment Option and options that may be granted pursuant to the Share Option Scheme are not exercised and not taking into account of the stock borrowing arrangements set out under the paragraph headed “Stabilization” in the “Structure of the Global Offering” section), the interests and short positions of the Directors and our chief executive in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of SFO), which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have such provisions of SFO) or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, or which will be required pursuant to section 352 of the SFO to be entered in the register of interests referred to therein, will be as follows:

Long position in the Shares

<u>Name of Directors</u>	<u>Type of interest</u>	<u>Total number of Shares</u>	<u>Approximate percentage of Shareholding</u>
Mr. Chi	Interest in a controlled corporation (Note)	294,283,839	40.9%
Mr. Jiang Taike	Beneficial owner	16,248,857	2.2%
Mr. Li Jianming	Beneficial owner	1,030,431	0.1%
Mr. Sui Shikai	Beneficial owner	1,026,889	0.1%
Mr. Mao Wanjun	Beneficial owner	1,486,471	0.2%
Ms. Xu Yiming	Beneficial owner	17,126,918	2.4%

Note: Mr. Chi owns the entire issue share capital of Chenlin International, which is the beneficial owner of 294,283,839 Shares, representing approximately 40.9% of the issued share capital of our Company upon completion of the Global Offering and the Capitalization Issue, but without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.

- (b) Interests and/or short positions of the Substantial Shareholders in the Shares and underlying Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed in the section headed “Substantial Shareholders,” our Directors are not aware of any person (not being a Director) who will, immediately following the completion of the Global Offering and the Capitalization Issue, but without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme, have an interest or short position in the 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 be (directly or indirectly) interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

4. Disclaimers

Save as disclosed in this prospectus:

- (i) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, will be required to be notified to the Company and the Stock Exchange once the Shares are listed thereon;
- (ii) so far as is known to any of our Directors or our chief executive, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is 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 our general meetings;
- (iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (iv) none of our Directors or any of the persons referred to in the paragraph headed “Qualifications of experts” of this appendix is interested in the promotion of the Company, 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 are proposed to be so acquired, disposed of or leased; and
- (v) none of the persons referred to in the paragraph headed “Qualifications of experts” of this appendix has any shareholding in our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Employee Shares

On 8 October 2008, a total of 6,280,000 Employee Shares of US\$0.10 each (36,791,039 shares immediately after the Subdivision, the Capitalization Issue and the Global Offering) were transferred to a total of 137 employees of our Group (including Mr. Li Jianming, Mr. Mao Wanjun and Mr. Sui Shikai, all of whom are Directors of the Company) in recognition of their contributions to the growth of our Group at a consideration of RMB6.4 each, of which RMB2.4 was settled by each of the Employee Shareholders with their own funds and RMB4.0 was paid for by Weihai Electronic and Weihai Cable, respectively, as bonus and subsidy to those employees. Due to transfer from one employee resigned of his entitlement of the Employee Shares to another employee designated by the Board, namely Mr. Li Jianming, on 13 June 2010, there were a total of 136 Employee Shareholders under the Employee Share Scheme as of the Latest Practicable Date.

The Employee Shares are held by Hongxin Joint Stock in trust for each of the Employee Shareholders since 8 October 2008.

The Employee Shares are subject to the following restrictions:

- (i) Prior to the Listing,
 - If the Employee Shareholders commit certain prohibited activities as defined in the Employee Trust Deed (the “Prohibited Activities”) during the terms of their first employment contracts signed after 1 January 2007 (the “2007 Contracts”) or early terminate the 2007 Contracts without the consent of their employer companies, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to transfer the interest in the relevant Employee Shares to such person(s) as designated by such committee or personnel at a consideration of RMB2.4 per share. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders after deducting the cash bonuses they have previously received, any amounts they owe the Company or their employer companies, any compensation they are deemed to be liable for by the Company, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes);
 - If the 2007 Contracts terminated with the consent of the Employee Shareholders’ employer companies or the 2007 Contracts expire without renewal, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to transfer the interest in the relevant Employee Shares to such person(s) as designated by such committee or personnel at a consideration of RMB2.4 per share. Hongxin shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes);
 - If the 2007 Contracts are early terminated due to retirement, disabilities or death of the Employee Shareholders, the Board or its designated Employee Shares administration committee or personnel can instruct Hongxin Joint Stock to transfer the interest in the relevant Employee Shares to such person(s) as designated by such committee or personnel at a consideration of RMB6.4 per share. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders or their lawful inheritors after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes).
- (ii) On or after the Listing Date, subject to (iii), (iv) and (v) below,
 - If the Employee Shareholders commit the Prohibited Activities during the terms of the 2007 Contracts or if there is an early termination of the 2007 Contracts without the consent of their employer companies, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to dispose of the relevant Employee Shares. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer shareholders RMB2.4 per share from which any amounts they owe the Company or their employer companies, any compensation they are deemed by the Company to be liable for, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes) shall be deducted, and pay the remainder to the Company. Moreover, the Employee Shareholders are required to return to the Company the

difference between the proceeds from any disposal of the Employee Shares according to (iv) below and RMB2.4 per share within 30 days from the receipt of instructions from the Board or its designated Employee Shares administration committee or personnel;

- If there is an early termination of the 2007 Contracts with consent of the Employee Shareholders' employer companies, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to dispose of the relevant Employee Shares. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer shareholders after deducting any amounts they owe the Company or their employer companies, any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes), and an amount to be given to the Company (the "Gift Amount") which shall be determined pursuant to the following formula.

Gift Amount = Proceeds from disposal of relevant Employee Shares x (Unfulfilled 2007 Contract term/2007 Contract term);

- If the 2007 Contracts expire without renewal, or the 2007 Contracts are early terminated due to retirement, disabilities or death of the Employee Shareholders, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to dispose of the relevant Employee Shares. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders or their lawful inheritors after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes).
- (iii) Unless otherwise provided in the Employee Trust Deed, the Employee Shares are not to be sold, exchanged, mortgaged, guaranteed, subjected to any liens or used to repay debts (the "Employee Shares Disposal") and no agreements are to be entered into in connection with the Employee Shares Disposal within one year from the Listing Date without the consent of the Board of directors or its designated Employee Shares administration committee or personnel.
- (iv) After the first anniversary of the Listing,
- After the expiry of the 2007 Contracts, Hongxin Joint Stock shall dispose of the relevant Employee Shares or transfer the relevant Employee Shares to such person(s) as designated by the relevant Employee Shareholders upon receipt of written instructions from the relevant Employee Shareholders. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes);
 - prior to the expiry of the 2007 contracts, Hongxin Joint Stock shall dispose of the relevant Employee Shares up to a maximum of 30% of the relevant Employee Shareholders' holdings upon receipt of written instructions from the relevant Employee Shareholders; Hongxin Joint Stock shall dispose of the portion in excess of 30% of the relevant Employee Shares or transfer such portion to such person(s) as

designated by the relevant Employee Shareholders upon receipt of written instructions from the relevant Employee Shareholders and approval from the Board or its designated Employee Shares administration committee or personnel. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes);

- Unless otherwise approved by the Board of directors or its designated Employee Shares administration committee or personnel, Employee Shareholders who hold the position of deputy manager or above are allowed to dispose of up to 25% of their Employee Shareholders' holdings every year during the term of their employment. Such Employee Shareholders are not allowed to dispose of their Employee Shares within six months from the date of termination of their employment, regardless of whether they have signed any non-competition agreement with the relevant employer companies.

(v) Non-competition

If the 2007 Contracts expire without renewal, and the relevant employer companies decide at their absolute discretion that the relevant Employee Shareholders do not need to sign any non-competition agreement, Hongxin Joint Stock shall act in accordance with (ii) above. If, however, the relevant employer companies decide at their absolute discretion that the relevant Employee Shareholders need to sign a two-year non-competition agreement, upon signing the non-competition agreement and payment of a one-off non-competition compensation at such minimum amount as permitted by the relevant PRC rules and regulations, the relevant Employee Shareholders are not allowed to dispose of their Employee Shares during the term of the relevant non-competition agreement unless prior approval from the Board or its designated Employee Shares administration committee or personnel has been obtained. If the Employee Shareholders violate the non-competition agreement, Hongxin Joint Stock shall act upon the decision of the Board or its designated Employee Shares administration committee or personnel and dispose of the relevant Employee Shares. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer shareholders RMB2.4 per share from which any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes) shall be deducted, and pay the remainder to the Company. Moreover, the Employee Shareholders are required to return to the Company or the employer companies the difference between the proceeds from any disposal of the Employee Shares and RMB2.4 per share within 30 days from the receipt of a notice about the violation of the non-competition agreement from the Company or the employer companies.

Hongxin Joint Stock has entrusted Mr. Chi to attend the Company's shareholders' meetings on its behalf and to vote on shareholders' resolutions at his own discretion with respect to the Employee Shares. The Employee Shareholders are not entitled to attend the Company's shareholders' meetings and to vote on shareholders' resolutions unless the relevant Employee Shares have been transferred and registered in the relevant Employee Shareholders' own names.

IV. SHARE OPTION SCHEME**1. Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any invested entity.

(b) Who may join

Subject to acceptance in accordance with the terms of the Share Option Scheme, the Board shall be entitled at any time and from time to time within ten (10) years after the adoption date to offer to grant to any eligible participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an option to subscribe for such number of Shares as the Board may determine at the subscription price PROVIDED THAT the granting of an option under this scheme to any grantee which is a company or is a discretionary object of an eligible participant shall be subject to the execution by the grantee or trustee and/or the beneficial owners in favor of the Company of an undertaking not to effect or permit any change in ultimate beneficial ownership of the grantee so long as the option so granted to the grantee or any part thereof remains exercisable. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the classes of eligible participants shall not, by itself, unless the Board otherwise determined, be construed as a grant of option under this scheme. The basis of eligibility of any of the class of eligible participants to the grant of any option shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any invested entity.

(c) Payment on acceptance of option

An option shall be deemed to have been granted and accepted (with retrospective effect from the offer date) when the duplicate letter comprising acceptance of the option duly signed by the grantee with the number of Shares in respect of which offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable.

(d) Subscription price

The subscription price in respect of any option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price shall be at least not lower than the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of the grant, which must be a Business Day; (b) the average closing price of the Shares as

stated in the Stock Exchange's daily quotation sheets for the five (5) trading days immediately preceding the date of the grant; and (c) the nominal value of a Share.

(e) Maximum number of Shares subject to the Share Option Scheme

Notwithstanding anything to the contrary herein, the maximum number of shares which may be issued upon exercise of all outstanding options granted under this scheme and any other share option scheme(s) of the Company must not exceed 30 per cent. of the total number of Shares in issue from time to time. No option may be granted under the scheme or any other share option scheme(s) of the Company if this will result in the limit set out in this paragraph being exceeded.

The total number of shares in respect of which options (including both exercised and outstanding options) may be granted under this scheme and any other share option schemes of the Company shall not, subject to paragraph (1), in aggregate exceed 10 per cent. of the total number of Shares in issue on the Listing Date, being 72,000,000 Shares, unless the Company seeks the approval of the Shareholders in general meeting for refreshing the 10 per cent. limit under this Scheme PROVIDED THAT options lapsed in accordance with the terms of this scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10 per cent. limit under this paragraph.

The Company may seek approval of the Shareholders in general meeting for refreshing the 10 per cent. limit such that the total number of Shares in respect of which options may be granted under this Scheme and any other share option schemes of the Company as "refreshed" shall not exceed 10 per cent. of the total number of Shares in issue as at the date of the approval of the Shareholders PROVIDED THAT options previously granted under this scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of this Scheme or any other share option scheme of the Company) will not be counted for the purpose of calculating the limit as "refreshed".

For the purpose of seeking the approval of Shareholders under this paragraph, a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to the Shareholders.

Subject to the paragraph below, no eligible participant shall be granted an option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options granted to such eligible participant (including both exercised and outstanding options) in any 12-month period exceeding one (1) per cent. of the total number of Shares in issue.

Where any further grant of options to an eligible participant, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding one (1) per cent. of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such eligible participant and his associates abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of

the eligible participant, the number and terms of the options to be granted and options previously granted to such eligible participant and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such eligible participant must be fixed before the Shareholders' approval and the date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the subscription price.

(f) Exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, which must not be more than 10 years from the date of the grant (subject to acceptance) of the option.

There is no general requirement for any performance target that has to be achieved before the exercise of any option except as otherwise imposed by the Board pursuant to paragraph (b) and stated in the offer of grant of an option.

(g) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such grantee.

(h) Rights on ceasing employment or other engagement

Subject as hereinafter provided in this scheme, the option may be exercised by the grantee (or his or her legal personal representatives) at any time during the option period in accordance with and subject to this paragraph, if the grantee is under employment with the Company and/or any of the Subsidiaries or the invested entities, in the event of the grantee ceasing to be an eligible participant by reason of such grantee's resignation from the employment of the Company or of any of the Subsidiaries or the invested entities or the termination of his or her employment by the Company or the relevant Subsidiary or invested entity or the expiry of his or her employment with the Company or the relevant Subsidiary or invested entity other than the termination of his or her employment on one or more of the grounds specified in paragraph (m)(e), the grantee may exercise the option up to his or her entitlement at such date of cessation (to the extent not already exercised) on or before the date of such cessation, which date shall be the last actual working day on which the grantee was at work with the Company, or the relevant Subsidiary or Invested Entity, on which salary is paid whether in lieu of notice or not, or such longer period as the Board may determine;

(i) Rights on death, ill health, disability or insanity

Subject as hereinafter provided in this scheme, the option may be exercised by the grantee (or his or her legal personal representatives) at any time during the option period in accordance with and subject to this paragraph:

- (a) if the grantee is under employment with the Company and/or any of the Subsidiaries or the invested entities, in the event of the grantee ceasing to be an eligible participant by reason of his or her ill-health or retirement, the grantee may, subject to paragraph (m)(a), exercise the option up to his or her entitlement at such date of cessation (to the extent not already exercised) within the period of twelve months following the date of such cessation, which date shall be the last actual working day on which the grantee was at work with the Company, or the relevant Subsidiary or invested entity, on which salary is paid whether in lieu of notice or not, or such longer period as the Board may determine;
- (b) if the grantee is under employment with the Company and/or any of the Subsidiaries or the invested entities, in the event of the grantee ceasing to be an eligible participant by reason of his or her death, the legal personal representative(s) of the grantee may, notwithstanding paragraph (m)(a), exercise the option up to the grantee's entitlement at such date of cessation (to the extent not already exercised) within the period of 12 months following the date of his or her death (or such longer period as the Board may determine);

(j) Rights on takeover

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his or her or its option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his or her or its option at any time before the close of such offer (or any revised offer);

(k) Rights on winding up and compromise or arrangement

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or where permitted under paragraph (i), his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her or its options (to the extent which has become exercisable and not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for

the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation; and

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), 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 gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or where permitted under paragraph (i), his or her legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) calendar months thereafter and the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his or her or its option (to the extent which has become exercisable and not already exercised), but the exercise of the option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. The Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her or its option so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) Effects of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganization of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) shall be made in:

- (a) the number or nominal amount of Shares subject to any option so far as unexercised; and/or
- (b) the subscription price; and/or
- (c) the method of exercise of the option; and/or
- (d) the maximum number of Shares referred to in paragraph (e),

in accordance with the Listing Rules, as an independent financial advisor or the Auditors (as the Board may select) shall certify in writing to the Board to be in their opinion appropriate, fair and reasonable, PROVIDED THAT any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which a grantee is entitled after such alteration shall remain the same as that to which he or she or it was entitled before such alteration and that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than)

as it was before such event, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than the nominal value of the Shares and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of the Group as consideration in a transaction.

In addition, in respect of any such alteration as provided in this paragraph (l) other than any alteration made on a capitalization issue, the Company's independent financial advisor or the Auditors must confirm in writing to the Directors that the alteration satisfy the requirements of the relevant provision of the Listing Rules and the supplementary guidance on the interpretation of the Listing Rules issued by the Exchange from time to time.

The capacity of the independent financial advisor or the Auditors in this paragraph (l) is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the grantees.

The costs of the independent financial advisor or the Auditors shall be borne by the Company.

(m) Lapse of options

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

- (a) the expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraphs (h) and (i);
- (c) the date on which the offer (or as the case may be, revised offer) referred to in paragraph (j) , which has become or is declared unconditional, closes;
- (d) the date of the commencement of the winding-up of the Company referred to in paragraph (k);
- (e) if the grantee is under employment with the Company and/or any of the Subsidiaries or invested entities, the date on which the Directors determine that the grantee ceases to be an eligible participant by reason of the termination of his or her employment on any one or more of the grounds that: he or she has been guilty of misconduct or has found to have breached the terms of employment during his or her employment (regardless of whether such employment contract has already been terminated) leading to a material loss or damage to the Group, or his or her employment has terminated by reason of the failure of such employment to pass the annual evaluation, or has become bankrupt or insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offense involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant Subsidiary or the relevant invested entity. A resolution of the Board or the board of directors of the relevant Subsidiary or the board of directors of the relevant invested entity to the effect that employment of a

grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the grantee;

- (f) the date when the proposed compromise or arrangement becomes effective referred to in paragraph (e);
- (g) the date on which the grantee commits a breach of paragraph (g) or the options are cancelled in accordance with paragraph (o); or
- (h) if the Directors at their absolute discretion determine that the grantee (other than an eligible participant) or his or her or its associate has committed any breach of any contract entered into between the grantee or his or her or its associate on the one part and any member of the Group or any invested entity on the other part or that the grantee has become bankrupt or insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her or its creditors generally, the Directors shall determine that the outstanding options granted to the Grantee (whether exercisable or not) shall lapse and in such event, his or her or its options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(n) Ranking and voting rights of Shares

No dividends will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. The Shares to be issued and allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment of the Shares (on exercise of the option) (the "Allotment Date") and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the Allotment Date, PROVIDED ALWAYS that when the Allotment Date falls on a day upon which the register of members of the Company is closed then the allotment upon the exercise of the option shall become effective on the first Business Day on which the register of members of the Company is re-opened. A Share allotted upon the exercise of an option shall not carry any dividend right and voting rights until the completion of the registration of the grantee as the holder thereof.

(o) Cancellation of options

The Company may cancel an option granted but not exercised with the approval of the grantee of such option.

Cancelled options may be re-issued after such cancellation has been approved, PROVIDED THAT re-issued options shall only be granted in compliance with the terms of this scheme.

Where the Company cancels options granted to an eligible participant, the Company may, in place thereof, grant new options to the same eligible participant, provided that

there are available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (e).

For the avoidance of doubt, options which have been exercised shall not be regarded as cancelled options.

(p) Alteration to the Share Option Scheme

This scheme may be altered in any respect by a resolution of the Board except that:

- (a) any change to the definitions of “Eligible Participant” and “Grantee” and “Option Period”;
- (b) any material alteration to the terms and conditions of this scheme;
- (c) any change to the terms of options granted (except where the alterations take effect pursuant to the terms of this scheme);
- (d) any change to the authority of the Board in relation to any alteration to the terms of this scheme;
- (e) any alteration to the provisions of this scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee; and
- (f) any alteration to the termination provisions of this scheme,

must be approved by an ordinary resolution of the Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under this Scheme and their respective Associates shall abstain from voting PROVIDED THAT the amended terms of this scheme or the options shall remain in compliance with the requirements of Chapter 17 of the Listing Rules and that no such alteration shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under this scheme and provided further that any alterations to the terms and conditions of this scheme which are of a material nature shall first be approved by the Stock Exchange.

The Company must provide to all grantees all details relating to changes in the terms of this scheme during the life of this scheme immediately upon such changes taking effect.

(q) Termination of the Share Option Scheme

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of this scheme and in such event no further option will be offered but the provisions of this scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of this scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with this scheme.

(r) Period of the Share Option Scheme

Subject to paragraph (q), this scheme shall be valid and effective for a period of ten (10) years commencing on the date on which the conditions set out in paragraph (s) are satisfied, after which period no further options will be granted but the provisions of this scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of this scheme and remain unexercised immediately prior to the end of the ten-year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of this scheme.

(s) Conditions

This Scheme shall take effect conditional upon:

- (a) the passing of an ordinary resolution to approve the scheme by the Shareholders at the Company's extraordinary general meeting and to authorize the Board to grant the options hereunder and to allot, issue and deal with the Shares which fall to be issued by the Company pursuant to the exercise of the options under the scheme; and
- (b) the Listing Committee (as defined in the Listing Rules) granting approval of the listing of, and permission to deal in, such number of Shares to be issued by the Company pursuant to the exercise of options which may be granted under the scheme.

(t) Restrictions on the timing of grant of option

No offer of grant of option shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with Rule 2.07C of the Listing Rules. In particular, no option may be granted during the period of one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Exchange in accordance with Rule 13.43 of the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules) under the Listing Rules,

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(u) Grant of options to connected persons

Each grant of options to a Director, chief executive (other than a proposed Director or a proposed chief executive of the Company) or substantial shareholder or any of their respective associates, under this scheme or any other share option scheme of the

Company or any of its subsidiaries shall comply with the requirements of Rule 17.04 of the Listing Rules (as amended, modified or supplemented from time to time) and shall be subject to approval by the independent non-executive Directors (excluding independent non-executive Director who is a grantee of the options).

In case of any change in the terms of options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates; or where any grant of options to a substantial shareholder or an independent non-executive Director, 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% of the relevant class of Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of options must be approved by the Shareholders. The Company shall send a circular to all Shareholders, which must contain all relevant information and comply with all relevant requirements as set out in the Listing Rules. All connected persons of the Company must abstain from voting in favor at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his or her intention to do so has been stated in the circular in accordance with Rule 13.40 of the Listing Rules. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

- (v) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise period, vesting period and (if appropriate, a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

V. OTHER INFORMATION

1. Taxation on holders of Shares

- (a) Hong Kong

Tax on dividends

No tax is payable in Hong Kong in respect of dividends paid by us.

Profit

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on individuals. Gains from sales of shares effected on the Stock Exchange will be considered to be derived

from or arise in Hong Kong. Liability for Hong Kong profit tax would thus arise in respect of trading gains from sales of the Shares realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

If one of the parties to the sale is a non-resident of Hong Kong and does not pay the required stamp duty, the duty not paid will be charged on the instrument of transfer (in addition to the stamp duty otherwise chargeable thereon), and the transferee will be liable for payment of such duty.

Consultation with professional advisor

Potential investors in the Global Offering are recommended to consult their professional advisor if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, or any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares provided that our Company does not own any interests in land in the Cayman Islands.

2. Litigation

As of the Latest Practicable Date, other than disclosed in the section headed “Business — Legal Proceedings”, we were not a party to any litigation, arbitration or claim of material importance, and the Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against any member of the Group.

3. Estate duty, Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (c) of the section headed “Further Information about our Business — Summary of material contracts” in this appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which any member of our Company may be subject arising from non-compliance which occurs on or before the date when the Global Offering becomes unconditional.

Under this deed, the indemnifiers will not be liable in respect of estate duty and taxation liabilities:

- (i) for which full provision or allowance, or full payment or discharge, has been made or taken into account in the audited consolidated accounts of the Company made up as at and for the six months ended 30 June 2010;
- (ii) which is incurred or is increased as a result of imposition of taxation as a consequence of any retrospective change in law, rules or regulations or interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong or elsewhere) coming into force after the Unconditional Date;
- (iii) to the extent that any provision or reserve made for such taxation in the audited consolidated accounts for the Company for the six months ended 30 June 2010 is established to be an overprovision or an excessive reserve;
- (iv) which would not have arisen but for any act or omission of, or transaction by, any members of the Group voluntarily effected and outside the ordinary course of business (other than pursuant to a legally binding commitment created on or before the Unconditional Date or consisting of any members of the Group ceasing or being deemed to cease to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation); and
- (v) which is discharged by another person and that no member of our Group is required to reimburse such person in respect of the discharge of such tax liabilities.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee for listing of, and permission to deal in, on the Main Board of the Stock Exchange the Shares in issue and to be issued as described in this prospectus. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The Sole Sponsor has declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to 3A.07 of the Listing Rules.

5. Preliminary Expenses

The preliminary expenses of our Company were approximately HK\$76,085, payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

7. Qualifications of experts

<u>Name</u>	<u>Qualifications</u>
Piper Jaffray Asia Limited	Licensed under the SFO for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
BMI Appraisals Limited	Independent Property Valuer
Conyers Dill & Pearman	Cayman Islands legal advisor
Deheng Law Firm	PRC legal advisor
Protiviti	Independent internal control advisor
Frost & Sullivan	Independent consultant engaged by our Company to provide an industry report

8. Consents of experts

Each of Piper Jaffray Asia Limited, Deloitte Touche Tohmatsu, BMI Appraisals Limited, Conyers Dill & Pearman, Deheng Law Firm, Protiviti and Frost & Sullivan, has given and has not withdrawn our respective written consents to the issue of this prospectus with copies of their reports, valuation certificates, letters or opinions (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they are respectively included.

9. Binding effect

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

10. Commissions received

The Underwriters will receive an underwriting commission as referred to under the section “Underwriting” in this prospectus.

11. No material adverse change

The Directors confirm that there has been no material adverse change in the Company’s financial or trading position or prospects since 30 June 2010 (being the date to which our Company’s latest audited consolidated financial statements were made up).

12. Miscellaneous

Save as disclosed in this prospectus:

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

- (iii) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Share or loan capital of the Company or any of our subsidiaries;
- (iv) within the two years preceding the date of this prospectus, no commission has been paid or is payable to any person (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;
- (v) since the last 12 months there has been no material and adverse change in our financial or trading position or prospects of the Company;
- (vi) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus;
- (vii) we have not issued or agreed to issue any founder shares, management shares or deferred shares;
- (viii) none of the equity and debt securities of the 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; and
- (ix) the English text of this prospectus shall prevail over the Chinese text.

13. Bilingual prospectus

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