

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. *Incorporation***

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on November 25, 2010. Our Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance on March 14, 2011 and our Company's principal place of business in Hong Kong is at Unit 1501, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Ms. Ng Weng Sin of 5/F, 267 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant law of the Cayman Islands and its constitution which comprises a Memorandum of Association and Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix V of this prospectus.

2. *Changes in share capital of our Company*

As of the date of the incorporation of our Company, its authorized share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following sets out the change in the share capital of our Company since the date of its incorporation:

- (a) On November 25, 2010, one fully paid Share was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber, which was subsequently transferred to Kingom Power on the same day.
- (b) On November 25, 2010, one Share was allotted and issued, credited as fully paid, to Winwett Investments.
- (c) On March 17, 2011, 99 and 99 Shares were allotted and issued, credited as fully paid, to Kingom Power and Winwett Investments, respectively, pursuant to an equity transfer agreement dated January 24, 2011 entered into among Mr. Sze Tin Yau, Mr. Wu Jinbiao Billion Development and Billion H.K. for Billion H.K. to transfer its entire equity interests in Billion Fujian to Billion Development.

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 2,299,000,000 Shares will be issued fully paid or credited as fully paid, and 7,701,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "4. Written resolutions of our Shareholders passed on March 31, 2011" under this section in this appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. *Changes in share capital of our subsidiaries*

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

(1) Billion Industrial Investment

On November 25, 2010, Billion Industrial Investment was incorporated under the laws of the BVI as an intermediate holding company of our Group. As of the date of its incorporation, the authorized share capital was US\$50,000 divided into 50,000 shares of US\$1.0 each. On December 7, 2010, our Company subscribed for one share in Billion Industrial Investment. Billion Industrial Investment is the directly wholly-owned subsidiary of our Company.

(2) Billion Development

On December 15, 2010, Billion Development was incorporated in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, one share in Billion Development was allotted and issued, credited as fully paid, to Billion Industrial Investment. Billion Development is an indirect wholly-owned subsidiary of our Company.

On January 24, 2011, Mr. Sze Tin Yau, Mr. Wu Jinbiao, Billion Development and Billion H.K. entered into an equity transfer agreement pursuant to which (i) Billion H.K. transferred its entire equity interests in Billion Fujian to Billion Development; and (ii) as a consideration for such transfer, our Company allotted and issued 99 Shares, credited as fully paid, to each of Kingom Power and Winwett Investments on March 17, 2011.

Save as set out above and in the paragraph headed “B. Corporate Reorganization” in this appendix, there has been no alteration in the share capital of any of our subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. *Written resolutions of our Shareholders passed on March 31, 2011*

Pursuant to the written resolutions of the Shareholders entitled to vote at general meetings of our Company, which were passed on March 31, 2011:

- (a) the authorized share capital of our Company be increased from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 Shares of HK\$0.01 each which shall rank *pari passu* in all respects with the Shares in issue as of the date of passing of the written resolutions;
- (b) subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorized to allot and issue a total of 1,724,249,800 Shares and apply it towards paying up in full at par to the Shareholders whose names appear on the register of members of our Company at the close of business on March 31, 2011 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their

respective existing shareholdings by way of capitalization of the sum of HK\$17,242,498 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;

- (c) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued (pursuant to the Global Offering, the Capitalization Issue, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinator (on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise
- (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms;
- (ii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme (vii) sign the Share Option Scheme offer letters;
- (d) a general unconditional mandate were given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options which may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue before any exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme;

For the purpose of this paragraph, “Rights Issue” means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

- (e) a general unconditional mandate were given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of the Over-allotment Option;
- (f) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (d) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of the Over-allotment Option be and is approved; and
- (g) the adoption of the Articles of Association.

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until whichever is the earliest of:

- (1) the conclusion of our next annual general meeting;
- (2) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (3) when varied or revoked by an ordinary resolution of our Company’s Shareholders in a general meeting.

5. *Repurchase of our Shares*

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

(a) Provisions of the Listing Rules

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

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions passed on March 31, 2011 by all our Shareholders, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the Global Offering, further details of which have been described above in the paragraph headed "4. Written resolutions of our shareholders passed on March 31, 2011" under this section in this appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares 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) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

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

(c) Funding of repurchases

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

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

(d) General

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

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

The Corporate Reorganization which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

1. On November 11, 2010, Mr. Sze Tin Yau subscribed for one share in Kingom Power to hold his interests in our Company. On November 11, 2010, Mr. Wu Jinbiao also subscribed for one share in Winwett Investments to hold his interests in our Company.
2. On November 25, 2010, our Company was incorporated under the laws of the Cayman Islands as an exempted company with the authorized share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On November 25, 2010, one fully paid Share was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber, which was subsequently transferred to Kingom Power on the same day. On November 25, 2010, one Share was allotted and issued, credited as fully paid, to Winwett Investments.
3. On November 25, 2010, Billion Industrial Investment was incorporated under the laws of the BVI as an intermediate holding company of our Group. As of the date of its incorporation, the authorized share capital was US\$50,000 divided into 50,000 shares of US\$1.0 each. On December 7, 2010, our Company subscribed for one share in Billion Industrial Investment. Billion Industrial Investment is the directly wholly-owned subsidiary of our Company.
4. On January 24, 2011, Mr. Sze Tin Yau, Mr. Wu Jinbiao, Billion Development and Billion H.K. entered into an equity transfer agreement pursuant to which (i) Billion H.K. transferred its entire equity interests in Billion Fujian to Billion Development; and (ii) as a consideration for such transfer, our Company allotted and issued 99 Shares, credited as fully paid, to each of Kingom Power and Winwett Investments. Upon completion of the equity transfer on February 17, 2011 and the allotment and issue of Shares on March 17, 2011, each of Kingom Power and Winwett Investments owned 100 Shares in our Company.

C. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of the material contracts**










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

- (1) an equity transfer agreement in Chinese dated January 24, 2011 entered into among Mr. Sze Tin Yau, Mr. Wu Jinbiao, Billion Development and Billion H.K., pursuant to which as a consideration for the transfer of the entire equity interest in Billion Fujian by Billion H.K., Mr. Sze Tin Yau and Mr. Wu Jinbiao agreed to procure our Company to allot and issue 99 Shares to each of Kingom Power and Winwett Investments;
- (2) a trademark transfer agreement in Chinese dated May 1, 2011 entered into among Billion Fujian, Baikai Wrap Knitting, Baikai Elastic Weaving, Baikai Textile and Baikai Zipper, pursuant to which Baikai Wrap Knitting, Baikai Elastic Weaving, Baikai Textile and Baikai Zipper agreed to transfer 10 trademarks which they jointly owned together with Billion Fujian, to Billion Fujian at nil consideration;
- (3) a placing agreement dated May 3, 2011 entered into among our Company, SD Family Fund L.P. and the Joint Global Coordinators, pursuant to which SD Family Fund L.P. agreed to subscribe for such number of Shares as may be subscribed for with an amount of US\$10 million at the Offer Price (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) (rounded down to the nearest board lot of 500 Shares) in the International Placing;
- (4) a placing agreement dated May 3, 2011 entered into among our Company, Mr. Ding Wuhao and the Joint Global Coordinators, pursuant to which Mr. Ding Wuhao agreed to subscribe for such number of Shares as may be subscribed for with an amount of HK\$100 million at the Offer Price (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) (rounded down to the nearest board lot of 500 Shares) in the International Placing;
- (5) a placing agreement dated May 3, 2011 entered into among our Company, Better Prospect Limited and the Joint Global Coordinators, pursuant to which Better Prospect Limited agreed to subscribe for such number of Shares as may be subscribed for with an amount of US\$10 million at the Offer Price (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) (rounded down to the nearest board lot of 500 Shares) in the International Placing;
- (6) the Deed of Non-competition;
- (7) the Deed of Indemnity; and
- (8) the Hong Kong Underwriting Agreement.










2. Intellectual property rights of our Group

Trademarks

As of the Latest Practicable Date, we had the right to use the following trademarks:

Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
	Billion Fujian	PRC	23	3172753	July 27, 2013
	Billion Fujian	PRC	23	3273556	January 6, 2014
	Billion Fujian	PRC	23	5174122	June 6, 2019
	Billion Fujian	Hong Kong	23	301532826	January 27, 2020
	Billion Fujian	PRC	35	6973390	October 13, 2020
	Billion Fujian	PRC	24	6973392	September 13, 2020
	Billion Fujian	PRC	23	6973393	September 13, 2020
	Billion Fujian	PRC	25	6973391	November 6, 2020
	Billion Fujian	PRC	23	6973394	August 27, 2020

On May 1, 2011, we have entered into a trademark transfer agreement to acquire the following registered trademarks at nil consideration:

Trademark ^{Note}	Place of registration	Class	Registration number	Expiry date
	PRC	24	5174121	September 13, 2019
BILLION	PRC	26	4719546	February 6, 2019
	PRC	5	4812629	February 13, 2019
	PRC	26	5160885	August 6, 2019
	PRC	35	5174130	May 27, 2019
	PRC	2	5174131	June 13, 2019
	PRC	33	5174132	March 20, 2019
	PRC	30	5174133	March 20, 2019
	PRC	18	5174134	July 20, 2019
	PRC	25	5174135	December 6, 2019

Note:

Application will be made to the Trademark Office of the State Administration for Industry and Commerce for a change of registered owner. We have engaged trademark agents to handle the registration of the trademark transfer. As advised by our PRC legal advisers, Tian Yuan Law Firm, registration will generally be completed within 12 months upon filing with the Trademark Office of the State Administration for Industry and Commerce in accordance with the relevant regulations and legal procedures.

Domain Names

As of the Latest Practicable Date, we had registered the following domain names:

Registrant	Domain Name	Date of Registration	Expiration Date
Billion Fujian	baihong.com	May 31, 2000	May 31, 2016
Billion Fujian	ballion.com	June 25, 2000	June 25, 2015
Billion Fujian	ballion.com.cn	May 10, 2006	May 10, 2011
Billion Fujian	ballion.cn	May 10, 2006	May 10, 2011
Billion Fujian	ballion.cc	May 7, 2006	May 6, 2011
Billion Fujian	百宏.com	November 9, 2010	November 9, 2011
Billion Fujian	百宏.cc	May 26, 2006	May 25, 2011

Patents

As of the Latest Practicable Date, we were the registered owner of the following registered patents:

Patent Name	Patent Number	Place of Registration	Expiration Date
A new type of weaving heads with no shuttle* (一種新型無梭機織頭)	ZL 2006 2 0156663.3	PRC	January 8, 2018
Baiku yarn* (百酷絲)	ZL 2009 2 0107313.1	PRC	April 13, 2019
Bainuan yarn* (百暖絲)	ZL 2009 2 0107314.6	PRC	April 13, 2019
Baiwei ultra-soft fiber* (一種百微超柔纖維) . . .	ZL 2009 2 0107315.0	PRC	April 13, 2019
A profile fiber* (一種異形纖維)	ZL 2009 2 0107316.5	PRC	April 13, 2019
A golden yarn* (一種金絲綫)	ZL 2009 2 0107317.X	PRC	April 13, 2019
A florescent extra-white fiber* (一種熒光增白纖維)	ZL 2009 2 0151633.7	PRC	April 19, 2019
A black flame resistant fiber* (一種黑色阻燃纖維)	ZL 2009 2 0151634.1	PRC	April 19, 2019
Ultraviolet resistant low elasticity yarn* (抗紫外綫滌綸低彈絲)	ZL 2009 2 0151636.0	PRC	April 19, 2019
Three-dimensional ultra-bright yarn* (三維超亮光絲)	ZL 2009 2 0107458.1	PRC	April 21, 2019
Full bright dyed yarn* (大有光有色 光絲)	ZL 2009 2 0107461.3	PRC	April 21, 2019
Black crystal bamboo charcoal fiber yarn* (黑晶竹炭纖維絲)	ZL 2009 2 0107462.8	PRC	April 21, 2019
Anti-distortion and — pilling low shrinkage FDY fiber* (抗變形的低縮率抗起球功能FDY纖維 絲)	ZL 2010 2 0174700.X	PRC	April 28, 2020
Fine denier hollow and ultra-bright reflex FDY profile fiber* (特粗旦超亮反光異形FDY纖維)	ZL 2010 2 0174710.3	PRC	April 28, 2020
Anti-bacterial flame resistant and moisture absorbing synthetic fiber * (抗菌阻燃排汗 合成纖維)	ZL 2010 2 0174715.6	PRC	April 28, 2020
High polymer material profile fiber* (高分子材料異形纖維)	ZL 2010 2 0174722.6	PRC	April 28, 2020
Whiting anti-bacterial moisture absorbing synthetic fiber* (增白抗菌排汗合成纖維) . . .	ZL 2010 2 0174731.5	PRC	April 28, 2020
Imitation sherpa fleece thermal synthetic chelating fiber* (仿羊羔絨保暖合成功能 纖維絲)	ZL 2010 2 0174734.9	PRC	April 28, 2020
A shaped plate* (一種成形板)	ZL 2010 2 0274598.0	PRC	July 27, 2020

As of the Latest Practicable Date, we had the exclusive right to use the following registered patents that were granted by Donghua University:

Patent Name	Patent Number	Place of Registration	Expiration Date
Down-like material* (仿羽絨材料)	ZL 2005 2 0042730.4	PRC	June 21, 2015
A new profile fiber spinneret* (一種 新型異性纖維噴絲板)	ZL 2005 2 0046832.3	PRC	November 23, 2015
A “U” shape fiber* (一種 “U” 型纖維)	ZL 2005 2 0046833.8	PRC	November 23, 2015
An air and moisture permissible PTT fiber and related spinneret* (一種 透氣導濕PTT纖維及其所用的 噴絲板)	ZL 2006 2 0040697.6	PRC	March 30, 2016
A thin denier hollow anti-bacteria PTT fiber* (一種細旦中空抗菌PTT纖維)	ZL 2006 2 0047981.6	PRC	November 20, 2016
A three dimensional curly hollow synthetic fiber* (一種三維捲曲中空合成纖維)	ZL 2007 2 0066521.2	PRC	January 18, 2017

Note: We entered into a license agreement with Donghua University on May 10, 2008, pursuant to which we have been granted an exclusive right to manufacture, use and sell products with the above six patents. The agreement will expire on November 9, 2013.

As of the Latest Practicable Date, we had made applications to register the following patents:

Patent Name	Application Number	Place of Registration	Date of Application
An esterification waste heat recovery device* (酯化蒸氣餘熱回收方法裝置)	200910077047.7	PRC	January 19, 2009
A yarn type of carpet silk* (一種滌綸地毯絲) . .	200920151635.6	PRC	April 20, 2009

Patent Name	Application Number	Place of Registration	Date of Application
A new type of high polymer material profile fiber*(新型高分子材料異形纖維)	201020174724.5	PRC	April 29, 2010
A melt direct spinning cooling humidification device* (一種熔體 直紡冷卻加濕裝置)	201020274567.5	PRC	July 28, 2010

3. *Further information about our PRC establishment*

Billion Fujian

(i)	nature of the company:	wholly foreign-owned enterprise
(ii)	term of business operation:	from November 20, 2003 to November 19, 2053
(iii)	total investment:	US\$251,100,000
(iv)	registered capital:	US\$239,990,000 (fully paid)
(v)	attributable interest of our Company:	100%
(vi)	scope of business:	Manufacturing differentiated polyester filament yarns

D. FURTHER INFORMATION ABOUT THE DIRECTORS

1. *Directors' service contracts*

Each of our Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our Directors is entitled to the respective basic salary set out below. Each of the executive Directors is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year of our Company may not exceed 5% of audited consolidated or combined net profit of (after taxation and minority interests and payment of such bonuses but excluding extraordinary and exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the discretionary bonus payable to him.

The current basic annual salaries of our executive Directors are as follows:

Mr. Sze Tin Yau	RMB1.8 million
Mr. Wu Jinbiao	RMB1.56 million
Mr. Wu Jianshe	RMB1.08 million
Mr. He Wenyao	RMB0.96 million

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

2. *Directors' remuneration during the Track Record Period*

For the three years ended December 31, 2008, 2009 and 2010, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB197,000, RMB205,000 and RMB1,762,000, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2008, 2009 and 2010 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2011 will be approximately RMB4,708,000.

E. DISCLOSURE OF INTERESTS

1. *Disclosure of interests*

(a) **Interests and short positions of our Directors in our share capital and our associated corporations following the Global Offering and Capitalization Issue**

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

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

<u>Name of Director</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest in our Company</u>
Mr. Sze Tin Yau	862,125,000	37.5%
Mr. Wu Jinbiao	862,125,000	37.5%

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

Immediately following completion of the Global Offering and the Capitalization Issue and without taking into account any shares which may be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, the following persons are expected to have interests or short positions in our shares or underlying shares which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Interests and short positions in our shares and underlying shares:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding ⁽¹⁾
Mr. Sze Tin Yau	Interested in the controlled incorporation	862,125,000	37.5%
Kingom Power ⁽²⁾	Beneficial owner	862,125,000	37.5%
Mr. Wu Jinbiao	Interested in the controlled incorporation	862,125,000	37.5%
Winwett Investments ⁽³⁾	Beneficial owner	862,125,000	37.5%

Notes:

- (1) Assuming the Over-allotment Option is not exercised.
- (2) Kingom Power is wholly-owned by Mr. Sze Tin Yau, our executive Director.
- (3) Winwett Investments is wholly-owned by Mr. Wu Jinbiao, our executive Director.

2. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings;

- (b) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the section headed “F. Other Information — 10. Consents of experts” in this appendix is interested in the promotion of our 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 our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) none of our Directors nor any of the parties listed in the section headed “F. Other Information — 10. Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “F. Other Information — 10. Consents of experts” in this appendix:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. OTHER INFORMATION**1. Estate duty, tax and other indemnity**

Each of our Controlling Shareholders has entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities on a joint and several basis, in respect of, among other things:

- (a) any taxation which might be payable by any member of our Group in respect of (i) any transaction, event, matter, business, activity or omission; (ii) any income, profits or gains earned, accrued or received or alleged to have, or which are deemed to be earned or accrued or received on or before the Listing Date;
- (b) any taxation claim which might be payable by any member of our Group under or by reason of any transfer of any property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the Listing Date; and
- (c) all damages, losses and liabilities arising from or in connection with any property claim and/or any other liability claim, including but not limited to any breach or non-compliance with any applicable laws and regulations (including without limitation, any inter-enterprise lending that violates the General Regulation of Loans (貸款通則) promulgated by PBOC) to the extent that the events leading to such damages, losses and liabilities occurred prior to the Listing Date and any such damages, losses and liabilities are not paid by the insurer under any relevant insurance policy (if any).

Each of our Controlling Shareholders will however not be liable under the Deed of Indemnity for taxation claim or liability to the extent that:

- (a) provision, reserve or allowance has been made for such taxation in the audited accounts of any member of our Group for the three years ended December, 31 2010;
- (b) such taxation or liability would not have arisen but for any act or omission by any member of our Group voluntarily effected without the prior written consent or agreement of the Controlling Shareholder, otherwise than in the ordinary course of business before the Listing Date or carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date;
- (c) such taxation or liability is discharged by another person and that no member of our Group is required to reimburse such person in respect of the discharge of the taxation or liability;
- (d) our Company is primarily liable for such taxation or liability as a result of transactions entered into or pursuant to a legally binding commitment created in the ordinary course of business of any member of our Group after the Listing Date; or
- (e) such claim arises or is incurred as a consequence of any retrospective changes in the law or regulation or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities of the PRC, Cayman Islands, BVI or any other authority in

any part of the world coming into effect after the Listing Date or to the extent such claim arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

2. *Litigation*

As of the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. *Preliminary expenses*

Our estimated preliminary expenses are approximately HK\$41,000 and have been paid by us.

4. *Promoter*

There are no promoters of our Company.

5. *Sponsors*

The Joint Sponsors made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of option that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

6. *No material adverse change*

Our Directors confirm that there has been no material adverse change in their financial or trading position or prospects since December 31, 2010 (being the date to which our latest audited combined financial statements were made up).

7. *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.

8. *Miscellaneous*

Save as disclosed in this prospectus:

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

- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
- (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (g) we have no outstanding convertible debt securities.

9. *Qualifications of experts*

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

Name	Qualification
Merrill Lynch (Joint Sponsor)	Licensed under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
CCBI (Joint Sponsor)	Licensed under the SFO for Type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants
Jones Lang LaSalle Sallmanns	Independent professional property valuer
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Tian Yuan Law Firm	the PRC legal advisers to our Company

10. *Consents of experts*

Each of Merrill Lynch, CCBI, KPMG, Jones Lang LaSalle Sallmanns, Conyers Dill & Pearman and Tian Yuan Law Firm has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual prospectus

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

G. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the Shareholders passed on March 31, 2011 and adopted by a resolution of the Board on March 31, 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to attract and retain skilled and experienced personnel who will contribute to the long-term growth and future success of our Company and our subsidiaries. The Share Option Scheme will provide them with the opportunity to acquire equity interests in our Company.

2. Who may join

The Board may, at its absolute discretion, offer options (“Options”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:-

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group;
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect Shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (e) above.

3. *Maximum number of Shares*

- (a) The maximum number of Shares in respect of which Options may be granted under the Share Option Scheme when aggregated with the maximum number of Shares in respect of which options may be granted under any other scheme involving the issue or grant of options over Shares or other securities by our Company or any of our subsidiaries (the “Maximum Number of Shares”) shall not exceed 10% of our Company’s issued share capital on the Listing Date (such 10% limit representing 229,900,000 Shares). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the 10% limit.
- (b) The Maximum Number of Shares may, with the approval of the Shareholders, be “refreshed” from time to time as required up to a maximum of 10% of our Company’s issued share capital as of the date of the Shareholders’ approval. Options previously granted under the Share Option Scheme or any other scheme, including options outstanding, canceled or lapsed in accordance with the relevant scheme or exercised options, shall not be counted for the purpose of calculating the limit to be refreshed.
- (c) Our Company may obtain a separate approval from the shareholders to grant Options which will result in the number of Shares in respect of all the Options granted under the Share Option Scheme and all the options granted under any other Scheme exceeding 10% of its issued share capital, provided that such Options are granted only to employees specifically identified by our Company before the separate approval of its Shareholders is sought.
- (d) The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of our Company’s issued share capital from time to time.

4. *Maximum entitlement of each participant*

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of our Company’s issued share capital from time to time.

5. *Grant of Options*

The period within which the Options must be exercised will be specified at the time of grant and is to be determined by the Board at its absolute discretion, subject to the requirement that such period shall not be longer than 10 years from the adoption date in accordance with the terms of the Share Option Scheme, unless our Company obtains separate shareholder approval in relation to such grant.

6. *Granting Options to connected persons*

- (a) Any Options to be granted to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the Options).
- (b) Without prejudice to the generality of the sub-paragraph (a) above, if any Options to be granted to a substantial shareholder or independent non-executive Director of our Company, or any of their respective associates, would result in the total number of Shares issued and to be issued upon exercise of all the Options granted and to be granted (including Options exercised, canceled and outstanding) to such person in the period of 12 months up to and including the date of the grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) 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,

the further grant of Options must be approved by the shareholders in general meeting and subject to the issue of a circular by our Company to its shareholders containing such information as required under sub-paragraph (c) below. All connected persons shall abstain from voting in favor at such general meeting, and any vote taken at such meeting must be taken on a poll.

Approval from the Shareholders of our Company is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

7. *Restriction on the time of grant of Options*

The Board shall not grant any Option under the Share Option Scheme after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period, and ending on the date of the results announcements.

8. *Minimum holding period, vesting and performance target*

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

9. *Amount payable for Options*

The amount payable on acceptance of an Option is HK\$1.0.

10. *Exercise price*

The amount payable for each Share to be subscribed for under an Option upon exercise shall be determined by the Board and notified to a proposed beneficiary at the time of offer of the Option and shall be not less than the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date, which must be a Business Day, of the date of grant;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five Business Days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

11. *Voting and other rights***(a) *Voting and dividend rights***

No voting rights shall be exercisable and no dividends shall be payable in respect of Options that have not been exercised.

(b) Rights on death

If an Option Holder dies, the legal personal representative(s) of the Option Holder shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the Option up to his entitlement (to the extent not already exercised).

(c) Rights on ceasing to be an employee

If the Option Holder ceases to be an employee on the grounds of misconduct, conviction of any criminal offense involving his integrity or honesty, or being terminated pursuant to any provisions of the Option Holder's contract of employment with our Company, the Option Holder may exercise the Option up to his entitlement at the date of cessation of his employment (to the extent not already exercised) within the period of one month following the date of such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary, whether salary is paid in lieu of notice or not.

(d) Rights on ceasing to be a third party service provider

- (i) If the Option Holder ceases to be a third party service provider under a fixed term contract by reason of termination or expiry of the term of the relevant fixed term contract without any extension or renewal by our Company or the relevant subsidiary for reasons other than on one or more of the following grounds:

- (1) breach of contract on the part of the third party service provider;
- (2) the third party service provider appears either unable to pay or have no reasonable prospect to be able to pay debts, or had become insolvent, or has made any arrangement (including a voluntary arrangement) or composition with his creditors generally, or ceases or threatens to cease to carry on his business, or is bankrupted, or has been convicted of any criminal offense involving integrity or honesty; or
- (3) the death of the third party service provider,

the Option Holder may exercise the Option up to his entitlement at the date of cessation (to the extent not already exercised) following the date of such cessation, which date shall be the date of expiry of the relevant fixed term contract.

- (ii) If the Option Holder ceases to be a third party service provider not under any fixed term contract, by reason of the Grantee ceasing to provide any further advisory or consultancy or other kind of services, support, assistance or contribution to our Company or its relevant subsidiary as may be determined by the Board and notified to such third party service provider in writing within three months after the provision of its last services, support, assistance or contribution to our Company or its relevant subsidiary for reasons other than on one or more of the grounds specified in sub-paragraph (d)(i) above, the Option Holder may exercise the Option up to his entitlement at the date of cessation (to the extent not already exercised) within the period of nine months (or such other period as the Board may determine) following

the date of such cessation, which date shall be the date of the written notification to the third party service provider.

(e) Rights on general offer

If a general offer (whether by way of take-over offer, share repurchase 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 in concert with the offeror) our Company shall use its best endeavors to procure that such offer is extended to all the Option Holders (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, its shareholders). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the Option Holder (or his legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

(f) Rights on a voluntary winding-up

In the event of an effective resolution being passed for the voluntary winding-up of our Company or an order of the court is made for the winding-up of our Company, our Company shall give notice thereof (“winding-up notice”) to all Option Holders on the same day as such resolution is passed or order is made. The Option Holders (or his legal personal representative(s)) may by notice in writing to our Company within 21 days after the date of the winding-up notice elect to be treated as if the Option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the Option Holder’s notice, such notice to be 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 Option Holder will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election.

(g) Rights on schemes of compromise or arrangement

If, pursuant to the Hong Kong Companies Ordinance, a compromise or arrangement between our Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all Option Holders (together with a notice of the existence of the provisions of this sub-paragraph (g)) on the same date as it dispatches to each member or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Option Holder (or where permitted under paragraph (b) his legal personal representative(s)) shall be entitled to exercise all or any of his Options in whole or in part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the Court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all Option Holders to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Directors shall endeavor to procure that the Shares issued as a result of the exercise of Options under this sub-paragraph (g) shall for the purposes of such compromise or arrangement form part of our Company’s issued share capital on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such

compromise or arrangement is not approved by the Court (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court) the rights of Option Holders to exercise their respective Options shall with effect from the date of the making of the order by the Court be restored in full and shall thereupon become exercisable (but subject to the other terms of the scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of the officers for any loss or damage sustained by any Option Holder as a result of the aforesaid suspension.

12. Life of Share Option Scheme

Unless otherwise terminated by the Board or the shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

13. Lapse of Share Option Scheme

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

- (a) the expiry of the period for exercise of the Option;
- (b) 12 months after (or such longer period as the Board may determine) of the death of the Option Holder;
- (c) an Option Holder ceasing to be an employee of our Company or any of our subsidiaries on the ground of:
 - (i) the Option Holder's misconduct;
 - (ii) Option Holder being convicted of any criminal offense involving his integrity or honesty; or
 - (iii) his employer would be entitled to summarily terminate his employment at common law or pursuant to his contract of employment;
- (d) three months after the Option Holder ceases to be an employee of our Company or any of our subsidiaries by reason of:
 - (i) retirement;
 - (ii) redundancy;
 - (iii) ill health or disability; or

- (iv) a transfer of business and the employee is transferred to a company outside our Group of companies;
- (e) one month after the termination of the Option Holder's employment with our Company or any of our subsidiaries for reasons other than the reasons specified in the sub-paragraphs (d) above;
- (f) the date on which:
 - (i) the contract between the third party service provider and our Company or its relevant subsidiary is terminated, where such contract is terminated by reason of breach of contract on the part of the third party service provider; or
 - (ii) the third party service provider appears either unable to pay or have no reasonable prospect to be able to pay debts, or had become insolvent, or has made any arrangement (including a voluntary arrangement) or composition with his creditors generally, or ceases or threatens to cease to carry on his business, or is bankrupted, or has been convicted of any criminal offense involving integrity or honesty,

provided that whether any one or more of the events specified above occur in relation to a third party service provider shall, in its reasonable opinion, be solely and conclusively determined by the Board;

- (g) in the case of any takeover, scheme of compromise or arrangement or voluntary winding-up, the expiry of the periods of notice as specified in the Share Option Scheme, provided that in the case of a scheme of compromise or arrangement, the proposed compromise or arrangement becomes effective;
- (h) save as otherwise provided in the terms of the Share Option Scheme, the date of commencement of the winding-up of our Company; or
- (i) any breach of the provision on transferability of the Options specified in the terms of the Share Option Scheme.

14. Adjustment

In the event of a Capitalization Issue, rights issue, sub-division or consolidation of Shares or reduction of our Company's share capital while any Option remains exercisable, but excluding, for the avoidance of doubt, any alteration in our Company's capital structure as a result of an issue of Shares as consideration in a transaction to which our Company is a party, the auditors or the financial adviser engaged by our Company for such purpose shall determine what adjustment is required to be made to the subscription price, the number of Shares to be issued on exercise of the Options (or any combination of the foregoing), provided that any such adjustments give the Option Holder the same proportion of our Company's equity capital and no adjustment may be made to the extent that Shares would be issued at less than their nominal value.

15. Cancellation of Options not exercised

Any Options granted but not exercised may be canceled if the Option Holder so agrees and new Options may be granted to the same Option Holder provided such Options fall within the limits, specified in paragraph (C)(a) above and are otherwise granted in accordance with the terms of the Share Option Scheme.

16. Ranking of Shares

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

17. Termination

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

18. Transferability

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

19. Amendment

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

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

Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules and the supplemental guidance on Rule 17.03(13) as set out in the letter issued by the Stock Exchange dated September 5, 2005.

20. Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (a) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme; and
- (b) the commencement of dealings in the Shares on the Stock Exchange.

If any of the above conditions are not satisfied on or before the date which is 30 days after the date of this prospectus (or such later date as the Board may decide), the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme. Application has been made to the Stock Exchange for the Listing of 229,900,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.