

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

The Company was incorporated in Bermuda under the Bermuda Companies Act as an exempted company with limited liability on 13 April 2011. The Company has established its principal place of business in Hong Kong at Unit A, 32nd Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance. Ms. Wong Kan Kan, Kandy and Mr. Lee Sze Wai have been appointed as the authorised representatives of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong.

The Company was incorporated in Bermuda and is subject to the laws of Bermuda. Its constitutive documents comprise the Memorandum and the Bye-laws. A summary of certain parts of its constitution and relevant aspects of Bermuda company law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

The authorised share capital of the Company as at the date of its incorporation was HK\$100,000 divided into 10,000,000 Shares of par value HK\$0.01 each.

On 15 April 2011, 3,000 Shares of par value HK\$0.01 each were allotted and issued nil paid to IAM as to 1,000 Shares, Ever Rosy as to 1,000 Shares and Premier Wise as to 1,000 Shares.

Pursuant to the written resolutions of all the Shareholders passed on 11 October 2011, the authorised share capital of the Company was increased from HK\$100,000 divided into 10,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,990,000,000 Shares.

On 11 October 2011, pursuant to the agreement for sale and purchase of the entire share capital of Wide Reach referred to in the section headed “Summary of material contracts” in this Appendix, IAM, Ever Rosy and Premier Wise transferred 3,000, 3,000 and 3,000 shares respectively in Wide Reach to the Company and in consideration of and in exchange for which, the Company allotted and issued 3,332,333, 3,332,334 and 3,332,333 Shares, credited as fully paid, to IAM, Ever Rosy and Premier Wise respectively and the Company credited as fully paid at par the 3,000 Shares issued nil-paid on 15 April 2011. Following the above transfers, allotment and issue, the Company became owned as to approximately 33.3% by IAM, approximately 33.3% by Ever Rosy and approximately 33.3% by Premier Wise.

Assuming that the Share Offer becomes unconditional and the issue of Shares under the Share Offer and the Capitalisation Issue are made, but taking no account of any Shares falling to be issued upon the exercise of any options that may be granted under the Share Option Scheme, the authorised share capital of the Company will remain HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital will be HK\$4,160,000 divided into 416,000,000 Shares, all fully paid or credited as fully paid and 9,584,000,000 Shares will remain

unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and no issue of Shares which would effectively alter the control of the Company will be made without the prior approval of members in a general meeting.

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

3. Written resolutions of all the Shareholders passed on 11 October 2011

Pursuant to the written resolutions of all the Shareholders passed on 11 October 2011:

- (a) the Company approved and adopted the Bye-laws as its new bye-laws;
- (b) conditional on the same conditions as stated in the sub-section headed “Conditions of the Share Offer” in the section headed “Structure and Conditions of the Share Offer” in this prospectus:
 - (i) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares; and
 - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;
- (c) conditional on the share premium account of the Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, the Directors were authorised to capitalise the amount of HK\$3,020,000 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 302,000,000 Shares for allotment and issue to persons whose names appear on the register of members of the Company at the close of business on 11 October 2011, pro rata to their then existing shareholdings in the Company;
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than pursuant to Shares issued as a result of rights issue, scrip dividend scheme or upon the exercise of the options which may be granted pursuant to the Share Option Scheme or similar arrangement or a specific authority granted by Shareholders in general meeting, Shares with an aggregate nominal value not exceeding (i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following Listing (including Shares to be issued pursuant to the Share Offer and the Capitalisation Issue) and (ii) the aggregate nominal amount of Shares repurchased under the authority granted to the Directors as referred to in paragraph (e) below, until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable law of Bermuda to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest; and

- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase Shares on the Main Board or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal value of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following Listing (including Shares to be issued pursuant to the Share Offer and the Capitalisation Issue), until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable law of Bermuda to be held, or the revocation, variation and renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

4. Reorganisation

The companies in the Group underwent the Reorganisation in preparation for the listing of the Shares on the Main Board of which involved the following:

- (a) On 29 September 2010, Wide Reach, with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, was incorporated in the BVI as a BVI business company with limited liability.
- (b) On 10 October 2011, Mr. Yam and Madam Wong each transferred 1 ordinary share of HK\$1.00 each in Fornton Holdings to Wide Reach and in consideration of and in exchange for which, Wide Reach allotted and issued (i) 1,000 shares, credited as fully paid to IAM at the direction of Mr. Yam and (ii) 1,000 shares, credited as fully paid, to Ever Rosy at the direction of Madam Wong.
- (c) On 10 October 2011, Mr. Yam and Madam Wong each transferred 1,000,000 ordinary shares of HK\$1.00 each in Fornton Knitting to Wide Reach and in consideration of and in exchange for which, Wide Reach allotted and issued (i) 1,000 shares, credited as fully paid, to IAM at the direction of Mr. Yam and (ii) 1,000 shares, credited as fully paid, to Ever Rosy at the direction of Madam Wong.
- (d) On 10 October 2011, Mr. Yam and Mr. Wong transferred 3 ordinary shares and 7 ordinary shares, respectively, of HK\$1.00 each in Nice Regent to Wide Reach and in consideration of and in exchange for which, Wide Reach allotted and issued (i) 600 shares, credited as fully paid, to IAM at the direction of Mr. Yam and (ii) 1,400 shares, credited as fully paid, to Premier Wise at the direction of Mr. Wong.
- (e) On 11 October 2011, IAM transferred 600 shares in Wide Reach to Premier Wise for cash at par.
- (f) On 11 October 2011, pursuant to the agreement for sale and purchase of the entire issued share capital of Wide Reach referred to in the section headed “Summary of material contracts” in this Appendix, IAM, Ever Rosy and Premier Wise transferred 3,000, 3,000 and 3,000 shares respectively in Wide Reach to the Company and in consideration of and in exchange for which, the Company allotted and issued 3,332,333

Shares, 3,332,334 Shares and 3,332,333 Shares, credited as fully paid, to IAM, Ever Rosy and Premier Wise respectively and the Company credited as fully paid at par the existing 3,000 nil-paid Shares.

5. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the sub-section headed "Changes in the Shareholding and Group Structure" in the section headed "History, Reorganisation and Group Structure" in this prospectus and in the paragraph headed "Reorganisation" in this Appendix, there has been no other change to the share capital of any of the subsidiaries of the Company within the two years immediately prior to the date of this prospectus.

6. Repurchase by the Company of its own securities

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

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Main Board by a company with a primary listing on the Main Board must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to written resolutions of all the Shareholders passed on 11 October 2011, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorising them to exercise all powers of the Company to repurchase Shares on the Main Board, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following Listing (including Shares to be issued pursuant to the Share Offer and the Capitalisation Issue), such mandate to expire at the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by its Bye-laws or applicable laws of Bermuda to be held, or when revoked, varied or renewed by an ordinary resolution of the Shareholders in the general meeting, whichever shall first occur.

Under the Listing Rules and the Companies Ordinance, the shares which are proposed to be purchased by a company must be fully paid up.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its Shareholders as a whole for the Company to have general authority from Shareholders 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 value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

(c) *Funding of repurchases*

Repurchases by the Company must be funded out of funds legally available for such purpose in accordance with the Memorandum and the Bye-laws, the applicable laws and regulations of Bermuda and the Listing Rules. A listed company is prohibited from repurchasing 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. Subject to the foregoing, any repurchases by the Company may be made out of the capital paid up on the purchased shares or out of the funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a repurchase over the par value of the Shares to be purchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account.

(d) *Impact on repurchase*

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

(e) *Directors' intention to sell Shares*

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

(f) *Directors' undertaking*

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

(g) *Connected parties*

No connected person has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so.

(h) *Share repurchases made by the Company*

No repurchase of Shares has been made by the Company within six months prior to the date of this prospectus.

(i) *Takeovers Code*

If as a result of a securities repurchase a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

(j) *Share capital*

Exercise in full of the Repurchase Mandate, on the basis of 416,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, but taking no account of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, could accordingly result in up to 41,600,000 Shares being repurchased by the Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed "Written resolutions of all the Shareholders passed on 11 October 2011" in this Appendix.

B. FURTHER INFORMATION ABOUT THE 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 the Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) an instrument of transfer and one set of bought and sold notes all dated 10 October 2011 between Mr. Yam and Wide Reach whereby Mr. Yam transferred 1 ordinary share in Fornton Holdings to Wide Reach and in consideration of and in exchange for which Wide Reach allotted and issued 1,000 shares, credited as fully paid, to IAM at the direction of Mr. Yam;

- (b) an instrument of transfer and one set of bought and sold notes all dated 10 October 2011 between Madam Wong and Wide Reach whereby Madam Wong transferred 1 ordinary share in Fornton Holdings to Wide Reach and in consideration of and in exchange for which Wide Reach allotted and issued 1,000 shares, credited as fully paid, to Ever Rosy at the direction of Madam Wong;
- (c) an instrument of transfer and one set of bought and sold notes all dated 10 October 2011 between Mr. Yam and Wide Reach whereby Mr. Yam transferred 1,000,000 ordinary shares in Fornton Knitting to Wide Reach and in consideration of and in exchange for which Wide Reach allotted and issued 1,000 shares, credited as fully paid, to IAM at the direction of Mr. Yam;
- (d) an instrument of transfer and one set of bought and sold notes all dated 10 October 2011 between Madam Wong and Wide Reach whereby Madam Wong transferred 1,000,000 ordinary shares in Fornton Knitting to Wide Reach and in consideration of and in exchange for which Wide Reach allotted and issued 1,000 shares, credited as fully paid, to Ever Rosy at the direction of Madam Wong;
- (e) an instrument of transfer and one set of bought and sold notes all dated 10 October 2011 between Mr. Yam and Wide Reach whereby Mr. Yam transferred 3 ordinary shares in Nice Regent to Wide Reach and in consideration of and in exchange for which, Wide Reach allotted and issued 600 shares, credited as fully paid, to IAM at the direction of Mr. Yam;
- (f) an instrument of transfer and one set of bought and sold notes all dated 10 October 2011 between Mr. Wong and Wide Reach whereby Mr. Wong transferred 7 ordinary shares in Nice Regent to Wide Reach and in consideration of and in exchange for which Wide Reach allotted and issued 1,400 shares, credited as fully paid, to Premier Wise at the direction of Mr. Wong;
- (g) an agreement for sale and purchase of the entire issued share capital of Wide Reach dated 11 October 2011 between IAM, Ever Rosy and Premier Wise as vendors, Mr. Yam, Madam Wong and Mr. Wong as warrantors and the Company as purchaser whereby IAM, Ever Rosy and Premier Wise agreed to transfer 3,000, 3,000 and 3,000 shares respectively in Wide Reach to the Company and in consideration for which the Company agreed to allot and issue 3,332,333, 3,332,334 and 3,332,333 Shares, credited as fully paid, to IAM, Ever Rosy and Premier Wise respectively and the Company credited as fully paid at par the existing 3,000 nil paid Shares;
- (h) a deed of indemnity dated 11 October 2011 given by the Controlling Shareholders in favour of the Group in relation to, among other things, taxation, details of which are set out in the paragraph headed “Indemnity” in paragraph E of this Appendix;

- (i) a deed of non-competition dated 11 October 2011 entered into between the Controlling Shareholders and the Company whereby the Controlling Shareholders have given certain non-competition undertakings as referred to in the paragraph headed “Deed of non-competition” in the section headed “Relationship with the Controlling Shareholders” in this prospectus; and
- (j) the Underwriting Agreement.

2. Intellectual property rights

(a) *Trademark*

As at the Latest Practicable Date, the Group has not registered any trademark.

(b) *Domain name*

As at the Latest Practicable Date, the Group has registered the following domain name:

<u>Domain Name</u>	<u>Registered Owner</u>	<u>Expiry Date</u>
www.fornton.com	Fornton Knitting	22 January 2016

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

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Disclosure of interests

- (a) Save as disclosed herein and in the sub-paragraph headed “Summary of material contracts” in this Appendix and in the section headed “Continuing Connected Transaction” of this prospectus, none of the Directors or the experts named in the sub-paragraph headed “Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus.
- (b) Save as disclosed in the sub-paragraph headed “Summary of material contracts” in this Appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

2. Particulars of service agreements

Each of the executive Directors, namely, Madam Wong, Mr. Wong and Mr. Yam has entered into a service agreement with the Company for an initial term of two years, commencing from 18 October 2011 with an annual remuneration of approximately HK\$1.4 million, HK\$1.22 million and HK\$0.52 million respectively. Either party has the right to give not less than three months' written notice to terminate the respective service agreement. In addition, each of these Directors will be entitled to a discretionary bonus to be calculated based on individual performance. Each of these Directors will also be reimbursed all reasonable out-of-pocket expenses properly incurred by him/her in the performance of his/her duties as a Director.

Pursuant to the letter of appointment from the Company to each of the independent non-executive Directors dated 11 October 2011, the appointment of each of Mr. Wang Wei Hung Andrew, Mr. Cheng Dickson and Mr. Sin Ka Man is for an initial term of two years commencing from 11 October 2011 with a director's fee of HK\$100,000, HK\$100,000 and HK\$100,000 per annum respectively.

3. Directors' remuneration

Remuneration and benefits in kind of approximately HK\$2,870,000 in aggregate were paid and granted by the Group to the Directors for the year ended 31 December 2010.

Under the current arrangements, the Directors will be entitled to receive remuneration which, for the financial year ending 31 December 2011, is expected to amount to approximately HK\$3,000,000, excluding the discretionary bonuses payable to the Directors.

The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to the Group.

4. Interests and/or short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the Directors will have the following interests and/or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are 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 entered in the register referred to therein, or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed:

Long positions in the Shares

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares held</u> <i>(Note 1)</i>	<u>Approximate percentage of interest in the Company</u>
Mr. Yam	Interest of controlled corporation <i>(Note 2)</i>	104,000,000 (L)	25%
	Interest of spouse <i>(Note 3)</i>	104,000,000 (L)	25%
Madam Wong	Interest of controlled corporation <i>(Note 4)</i>	104,000,000 (L)	25%
	Interest of spouse <i>(Note 5)</i>	104,000,000 (L)	25%
Mr. Wong	Interest of controlled corporation <i>(Note 6)</i>	104,000,000 (L)	25%

Notes:

1. The letter “L” denotes a long position in the Shareholder’s interest in the share capital of the Company.
2. Mr. Yam is the beneficial owner of 100% of the issued share capital of IAM. Mr. Yam is deemed to be interested in the 104,000,000 Shares held by IAM under the SFO.
3. Mr. Yam is the spouse of Madam Wong and is deemed to be interested in the Shares held by Ever Rosy.
4. Madam Wong is the beneficial owner of 100% of the issued share capital of Ever Rosy. Madam Wong is deemed to be interested in the 104,000,000 Shares held by Ever Rosy under the SFO.
5. Madam Wong is the spouse of Mr. Yam and is deemed to be interested in the Shares held by IAM.
6. Mr. Wong is the beneficial owner of 100% of the issued share capital of Premier Wise. Mr. Wong is deemed to be interested in the 104,000,000 Shares held by Premier Wise under the SFO.

Save as disclosed above, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), none of the Directors will have any interests and/or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are 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 entered in the register referred to therein or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed.

5. Interests and/or short positions of substantial Shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of the Company) will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in the Shares

<u>Name of substantial shareholder</u>	<u>Capacity</u>	<u>Number of Shares held</u> <i>(Note 1)</i>	<u>Approximate percentage of interest in the Company</u>
IAM	Beneficial owner	104,000,000 (L)	25%
Ever Rosy	Beneficial owner	104,000,000 (L)	25%
Premier Wise	Beneficial owner	104,000,000 (L)	25%

Note: (1) The letter “L” denotes a long position in the Shareholder’s interest in the share capital of the Company.

Save as disclosed above, so far as is known to the Directors, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), there are no other person (not being a Director or chief executive of the Company) who has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of the Group.

6. Personal guarantees

During the Track Record Period, (i) Mr. Yam, Madam Wong and Mr. Wong acted as guarantors of certain banking facilities of the Group to the maximum extent of HK\$120.46 million, HK\$120.46 million and HK\$55.96 million respectively, (ii) at the end of each reporting period, certain banking facilities of the Group was secured by a property held by Mr. Wong and (iii) during the year ended 31 December 2010, certain banking facilities of the Group was secured by property owned by Long Rise. It is expected that the said guarantees by Mr. Yam, Madam Wong and Mr. Wong and the security over the properties held by Long Rise and Mr. Wong shall be released upon the Listing. During the Track Record Period, the above said banking facilities have been utilised by the Group as follows:

- (1) During the three years ended 31 December 2008, 31 December 2009, 31 December 2010 and the four months ended 30 April 2011, Mr. Yam, Madam Wong and Mr. Wong acted as guarantors of trust receipts loans in favour of the Group which amounted to HK\$1,023,000, HK\$498,000, HK\$6,235,000 and HK\$18,000,000 respectively.
- (2) During the year ended 31 December 2010, the Group obtained a mortgage loan of HK\$30,386,000 which is guaranteed by Mr. Yam, Madam Wong and Mr. Wong and secured by a legal charge over a property owned by Long Rise.
- (3) During the year ended 31 December 2010 and the four months ended 30 April 2011, the Group obtained other bank loans which amounted to a total of HK\$7,340,000 and are guaranteed by Mr. Yam and Madam Wong.
- (4) During the Track Record Period, the Group has banking facilities secured by a property held by Mr. Wong, the balance of which amounted to HK\$51,861,000 as at 30 April 2011.

Save as disclosed above, none of the Directors has provided any personal guarantee or executed any charges over their properties in favour of any banks or other third parties for banking facilities or other financial accommodation granted to any member of the Group.

7. Agency fees or commissions

Save as disclosed in this prospectus, within the two years 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 its subsidiaries.

8. Disclaimers

Save as disclosed in this prospectus,

- (a) none of the Directors or chief executive of the Company has any interest and/or short position in the Shares, underlying shares, listed or unlisted derivatives of or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are 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 entered in the register referred to therein, or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed;
- (b) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (c) none of the Directors or the experts named in the paragraph headed “Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired, disposed of by or leased to any member of the Group;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of any Shares which may be taken up under the Share Offer, the Directors are not aware of any person (not being a Director or chief executive of the Company) who immediately following the completion of the Share Offer and the Capitalisation Issue will have an interest or a 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 will 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 other member of the Group; and
- (f) none of the experts named in the paragraph headed “Qualifications of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or is an officer or servant or in employment of an officer or servant of the Group.

D. SHARE OPTION SCHEME**Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the written resolutions of all the Shareholders passed on 11 October 2011.

The terms of the Share Option Scheme complies with Chapter 17 of the Listing Rules:

1. *Purpose of the Share Option Scheme*

- (a) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined below) have made or may make to the Group.
- (b) The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in the Company with the view to achieving the following principal objectives:
 - (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and
 - (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.
- (c) For the purpose of the Share Option Scheme, “Eligible Participant” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. *Who may join and basis for determining eligibility*

- (a) The Board may at its discretion grant options to: (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (“Affiliate”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.
- (b) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).

- (c) Each grant of options to a Director, chief executive or substantial Shareholder of the Company or any of their respective associates, must be approved in accordance with the requirements of the Listing Rules.
- (d) Subject to the provisions of the Share Option Scheme, any person whom the Board has resolved to be qualified to become an Eligible Participant must remain eligible during the period when any option granted to him/her/it remains outstanding. In assessing such grantee's continuing eligibility under the Share Option Scheme, the requirements set out in the Share Option Scheme and the views, if any, of the independent non-executive Directors shall be given due and careful consideration by the Board.
- (e) Should the Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, the Company would be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed.

3. *Grant of options*

- (a) Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time on a Business Day within 10 years commencing on the effective date of the Share Option Scheme to offer the grant of an option to any Eligible Participant as the Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be deemed accepted when the Company receives the acceptance of the offer letter duly signed by the Eligible Participant together with a non-refundable payment of HK\$1 (or such other nominal sum in any currency as the Board may determine).
- (b) Subject to the provisions of the Share Option Scheme, the Listing Rules and other applicable rules and regulations, the Board may, on a case by case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):
 - (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where the Board resolves that the grantee fails/has failed or otherwise is or has been unable to meet the continuing eligibility criteria, any outstanding option (to the extent it has not already been exercised) shall lapse;
 - (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent it has not already been exercised) will lapse unless otherwise resolved to the contrary by the Board;

- (iii) in the event that the Eligible Participant is a corporation whether incorporated or unincorporated, that any change of the management and/or shareholding of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (iv) in the event that the Eligible Participant is a trust, that any change of the beneficiary of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (v) in the event that the Eligible Participant is a discretionary trust, that any change of the discretionary objects of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and
 - (vii) if applicable, the satisfactory performance of certain obligations by the grantee.
- (c) The Board shall not offer the grant of an option to any Eligible Participant:
- (i) 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 relevant requirements of the Listing Rules; or
 - (ii) during the period commencing one month immediately preceding the earlier of:
 - (1) 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 the Company's results for any year, half-year, quarter year or any other interim period (whether or not required under the Listing Rules); and
 - (2) the deadline for the Company to publish an announcement of its results for any year, half-year or quarter year under the Listing Rules or any other interim period (whether or not required 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.

- (d) Any grant of options to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (but excluding, for all purposes, any independent non-executive Director who is a proposed grantee). Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding but excluding the options which have lapsed) to such person in any 12-month period 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 million,

such further grant of options must be approved by the Shareholders. The Company must send a circular to its Shareholders. All connected persons of the Company must abstain from voting at such general meeting.

4. *Exercise price of Shares*

The exercise price for any Share under the Share Option Scheme will be a price determined by the Board and notified to each grantee and will be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a Business Day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant of the relevant option, and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10.

5. *Maximum number of Shares*

- (a) The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under any scheme of the Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.

- (b) The total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other share option schemes must not, in aggregate, exceed 10% of the issued share capital of the Company on or before the date of the listing of the Shares, being 41,600,000 Shares, (the “Scheme Mandate Limit”) unless Shareholders’ approval has been obtained pursuant to sub-paragraph (d) below. Options lapsed in accordance with the terms of such share option scheme will not be counted for the purpose of calculating the aforesaid 10% limit.
- (c) The Scheme Mandate Limit may be refreshed by the Shareholders of the Company in general meeting from time to time provided that the Scheme Mandate Limit so refreshed must not exceed 10% of the issued share capital of the Company at the date of the approval of the refreshment by the Shareholders of the Company in general meeting. Upon any such refreshment, all options granted under the Share Option Scheme and any other share option schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the Share Option Scheme or any other share option schemes of the Company) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. A circular must also be sent to the Shareholders of the Company containing such information from time to time required by the Listing Rules.
- (d) The Board may seek separate Shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specified by the Company before such approval is sought and the Company must issue a circular to the Shareholders of the Company containing such information from time to time required by the Stock Exchange in relation to any such proposed grant to such Eligible Participants.
- (e) No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.
- (f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as the auditors of the Company or the independent financial adviser of the Company shall certify in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. *Time of exercise of option*

- (a) Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which shall not be more than 10 years from the date of grant of option.
- (b) There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

7. *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option, failing which the option (to the extent it has not already been exercised) shall lapse.

8. *Rights on ceasing to be an Eligible Participant*

Where an option was granted subject to certain continuing conditions, restrictions or limitations on the grantee's eligibility and the Board resolves that the grantee has failed or otherwise is or has been unable to meet such continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse.

9. *Rights on death/ceasing employment*

- (a) If the grantee (being an individual) dies before exercising the option in full, his or her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not exercised) within a period of 12 months following his/her death or such longer period as the Board may determine.
- (b) Subject to sub-paragraphs (c) and (d), if the grantee who is an employee ceases to be an employee for any reason other than his/her death or the termination of his/her employment on one or more of the following grounds that:
 - (i) he/she has been guilty of serious misconduct; or

- (ii) he/she becomes insolvent or is unable or has no reasonable prospects of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally; or
- (iii) he/she has been convicted of any criminal offence involving his/her integrity or honesty,

the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following the date of such cessation.

- (c) If the grantee is an employee, director, consultant, professional, agent, partner, adviser of or contractor to the Group or its Affiliate at the time of the grant of the relevant option(s) and his/her employment or service to the Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, adviser of or contractor to the Group or its Affiliate and not exercised) within 6 months following such cessation or such longer period as the Board may determine.
- (d) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as the Board may determine.
- (e) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of the Group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his/her becoming a director of the Group or its Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless the Board shall determine to the contrary.
- (f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate but not an employee, ceasing to be a director, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate (as the case may be) for any reason other than his death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of the Group or its Affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

10. *Effects of alterations to capital*

In the event of any alteration in the capital structure of the Company while an option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares which are the subject of unexercised options, the exercise price, the method of exercise of the options, and/or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Company's Shareholders in general meeting, no such adjustments may be made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of the Company or the auditors of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the "Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Note immediately after the Rule" attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

11. *Rights on a takeover*

If a general offer (whether by way of takeover 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 concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent which has become exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code). Any option then remaining unexercised at such expiry shall lapse and become void.

12. *Rights on a scheme of arrangement*

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), the Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by the Company not later than two Business Days (excluding any period(s) of closure of the Company's share registers) prior to

the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and the Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof. Any option then remaining unexercised shall lapse at such expiry and become void.

13. *Rights on a voluntary winding up*

In the event notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to all the grantees and any grantee may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by the Company not later than two Business Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and the Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise. Any option then remaining unexercised shall lapse at such expiry and become void.

14. *Rights attaching to Shares upon exercise of an option*

Shares issued and allotted upon the valid exercise of an option will rank *pari passu* in all respects with the other Shares of the same class in issue at the date of allotment.

15. *Lapse of options*

An option (to the extent such option has not already been exercised) shall lapse autonomically and not be exercisable on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraphs 9, 11 and 12;
- (c) the date of commencement of the winding-up of the Company;
- (d) the date on which the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;

- (e) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his/her employment on the grounds that he/she has been guilty of serious misconduct, or has become insolvent or is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty;
- (f) the happening of any of the following events, unless otherwise waived by the Board:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
 - (iii) there is unsatisfied judgment, order or award outstanding against the grantee or the Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
 - (v) a bankruptcy order has been made against the grantee or any Director of the grantee (being a corporation) in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against the grantee or any Director of the grantee (being a corporation) in any jurisdiction;
- (g) the date on which a situation as contemplated under paragraph 7 arises;
- (h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Board; or
- (i) the date on which the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. *Cancellation of options granted*

The Board shall have the absolute discretion to cancel any options granted but not exercised at any time at the request of the grantee provided where an option is cancelled and a new option can only be proposed to be granted to the same grantee if there are available unissued options (excluding all the cancelled options) within the limits referred to in paragraph 5.

17. *Period of the Share Option Scheme*

Options may be granted to Eligible Participants under the Share Option Scheme during the period of 10 years commencing on the effective date of the Share Option Scheme.

18. *Alteration to Share Option Scheme and termination*

- (a) The Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting.
- (b) Any alteration to the terms and conditions of the Share Option Scheme which is of a material nature, 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.
- (c) The Company by ordinary resolution in general meeting 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 but the provisions of the Share Option Scheme shall remain in force in all other respects.

19. *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon (a) Shareholders' approval; (b) the Listing Committee granting approval for the listing of and permission to deal in any Shares which may be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme and (c) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise.

20. *Administration of the Share Option Scheme*

The Share Option Scheme shall be administered by the Board whose decision (save otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no options have been granted by the Company under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme being 41,600,000 Shares in total, representing 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

E. OTHER INFORMATION

1. Indemnity

IAM, Ever Rosy, Premier Wise, Mr. Yam, Madam Wong and Mr. Wong (collectively the “Indemnifiers”) have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its subsidiaries) whereby they have given joint and several indemnities in connection with, among other matters:

- (a) any taxation falling on any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the conditions set out in the section headed “Structure and conditions of the Share Offer” of this prospectus are fulfilled, save:
 - (i) to the extent that provision or reserve has been made for such taxation in the combined audited accounts of the Group for the three years ended 31 December 2010 and the four months ended 30 April 2011;
 - (ii) taxation falling on any of the members of the Group on or after 1 May 2011 unless liability for such taxation would not have arisen but for some act or omission of, or transaction entered into by, the Indemnifiers, members of the Group or any of them (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the date on which the conditions set out in the section headed “Structure and conditions of the Share Offer” of this prospectus are fulfilled;
 - (iii) to the extent that such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the date on which the conditions set out in the section headed “Structure and conditions of the Share Offer” of this prospectus are fulfilled or to the extent that such taxation arises or is increased by an increase in rates of taxation after such date with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of Bermuda, BVI or anywhere else in the world on the profits of companies for the current or any earlier financial period);
 - (iv) to the extent that such taxation is discharged by another person who is not a member of the Group and that no member of the Group is required to reimburse such person in respect of the discharge; or

- (v) to the extent any provision or reserve made for taxation in the audited accounts referred to in sub-paragraph (i) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers or any of them in respect of taxation shall not be available in respect of any such liability arising thereafter.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in Bermuda and other jurisdiction in which the companies comprising the Group are incorporated.

2. Litigation

In February 2007, a writ was issued against Fornton Knitting claiming for an aggregate amount of approximately HK\$1,118,000 being the costs of yarn sold and delivered to Fornton Knitting together with interest thereon, of which approximately HK\$851,000 representing the amount of trade receivable claimed by the plaintiff has already been included in the Group's trade payables. No provision was made for the potential liability of approximately HK\$267,000 representing the amount of interest claimed by the plaintiff as the case is still pending judgment being handed down and only the worst case scenario will require the Group to pay such additional claim. Fornton Knitting filed a defence and counterclaim to the said writ that Fornton Knitting is not liable to pay the costs claimed as the yarn delivered was defective and that the plaintiff had refused to amend such defects. Fornton Knitting further claimed for an unliquidated amount of loss and damages arising from the defective yarn supplied by the plaintiff. As at the Latest Practicable Date, trial had already taken place and the case is currently pending judgment being handed down.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.

3. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein, including any Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, the Company will appoint Optima Capital as its compliance adviser to provide advisory services to the Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 3A.19 of the Listing Rules in respect of its financial results for the first full financial year ending 31 December 2012.

5. Preliminary expenses

The estimated preliminary expenses of the Company are approximately HK\$20,000 and are payable by the Company.

6. Promoter

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

7. Qualifications of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

<u>Name</u>	<u>Qualifications</u>
Optima Capital Limited	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
SHINEWING Tax and Business Advisory Limited	Independent tax consultant
King & Wood PRC Lawyers, Chengdu Office	PRC legal advisers to the Company
Hills & Co.	PRC legal advisers to the Sponsor and the Underwriter
Conyers Dill & Pearman	Bermuda barristers and attorneys
Jones Lang LaSalle Limited	Property valuer

8. Consents of experts

The Sponsor, SHINEWING, Tax Consultant, PRC Legal Advisers, Hills & Co., Conyers Dill & Pearman and Valuer have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be) and the references to their names 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. Miscellaneous

- (a) Save as disclosed in this prospectus,
 - (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) within the two years 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 its subsidiaries;
 - (iii) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) there has been no material adverse change in the financial position or prospects of the Group since 30 April 2011 (being the date to which the latest audited consolidated financial statements of the Group were made up); and
 - (v) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriter) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of the Company or any of its subsidiaries.
- (b) The Company has no founder shares, management shares or deferred shares.
- (c) There has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 24 months immediately preceding the date of this prospectus.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (e) The principal register of members of the Company will be maintained in Bermuda and a branch register of members of the Company will be maintained in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with, and registered by Union Registrars Limited, the Company's Hong Kong branch share registrar and transfer office in Hong Kong.

- (f) Codan Services Limited, the Company's Bermuda resident representative, is affiliated with Conyers Dill & Pearman, the Company's Bermuda legal advisers, which will receive usual professional fees in connection with the incorporation of the Company and the Share Offer.

11. Bilingual prospectus

The English language and 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).