

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

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on 6 December 2000. The Company has established a principal place of business in Hong Kong at Flat B, Ground Floor, Fu Hop Factory Building, Nos. 209 and 211 Wai Yip Street, Kowloon, Hong Kong and was registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance on 18 April 2001. Dr. Pau has been appointed as agent of the Company for the acceptance of service of process in Hong Kong and the address for service is Flat B, Ground Floor, Fu Hop Factory Building, Nos. 209 and 211 Wai Yip Street, Kowloon, Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises its memorandum of association and articles of association. A summary of certain relevant parts of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

**2. Changes in share capital**

- (a) As at the date of incorporation of the Company, its authorised share capital was HK\$100,000 divided into 1,000,000 shares of par value of HK\$0.1 each, of which one share was allotted and issued, nil paid, on 6 December 2000 to Codan Trust Company (Cayman) Limited as initial subscriber and was transferred to Team Drive for cash at par on 16 January 2001. The said one nil paid share was subsequently credited as fully paid as described in paragraph 4 below.
- (b) On 16 January, 2001, 1,599 shares of HK\$0.1 each in the Company were allotted and issued, nil paid, as to 1,199 shares to Team Drive, 330 shares to Advance New Technology, 60 shares to Dr. Pau, 5 shares to Mr. Shah Tahir Hussain, 3 shares to Mr. Wong Wai Tat and 2 shares to Ms. Chow Yuk Ngor. The said 1,599 nil paid shares were subsequently credited as fully paid as described in paragraph 4 below.
- (c) On 21 November 2001:
  - (i) Mr. Wong Wai Tat transferred 3 nil paid shares of HK\$0.1 each in the Company to Team Drive for cash at par; and
  - (ii) 28,400 shares of HK\$0.1 each in the Company were allotted and issued, nil paid, as to 20,457 shares to Team Drive, 6,110 shares to Advance New Technology, 1,140 shares to Dr. Pau, 640 shares to Ms. Yip Yuk Chun, 35 shares to Mr. Shah Tahir Hussain and 18 shares to Ms. Chow Yuk Ngor. The said 28,400 nil paid shares were subsequently credited as fully paid as described in paragraph 4 below.
- (d) Pursuant to a written resolution of all shareholders of the Company passed on 21 November 2001, each issued and unissued share of HK\$0.1 in the then share capital of the Company was subdivided into 10 shares of HK\$0.01 each.

- (e) Pursuant to a written resolution of all shareholders of the Company passed on 21 November 2001, the authorised share capital of the Company was increased from HK\$100,000 to HK\$50,000,000 by the creation of an additional 4,990,000,000 Shares.
- (f) Immediately following the completion of the Placing and the Capitalisation Issue, the authorised share capital of the Company will be HK\$50,000,000 divided into 5,000,000,000 Shares of which 552,800,000 Shares will be allotted and issued fully paid or credited as fully paid, and 4,447,200,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option, the ANT-Option or any options granted or which may be granted under the Share Option Schemes, there is no present intention to issue any of the authorised but unissued Shares of the Company and, without the prior approval of the shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.
- (g) Save as disclosed in paragraphs 1 to 3 of this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

### **3. Written resolutions of all shareholders of the Company passed on 21 November 2001**

Pursuant to the written resolutions of all shareholders of the Company passed on 21 November 2001:

- (a) the Company approved and adopted its exiting articles of association;
- (b) the authorised share capital of the Company was increased from HK\$100,000 to HK\$50,000,000 by the creation of an additional 4,990,000,000 Shares;
- (c) conditional on the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
  - (i) the Placing was approved and the Directors were authorised to allot and issue the Placing Shares;
  - (ii) the grant of the Over-allotment Option and the ANT-Option were approved and the Directors were authorised to allot and issue such number of Shares that are required to be allotted and issued upon the exercise of the Over-allotment Option and the ANT-Option;

- (iii) conditional on the share premium account of the Company being credited as a result of the Placing, the Directors were authorised to capitalise HK\$4,140,000 standing to the credit of such account by applying such sum in paying up in full at par 414,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on 21 November 2001 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then shareholdings in the Company;
- (iv) a general unconditional mandate was given to the Directors to allot, issue and deal with the unissued shares in the capital of the Company and to make or grant offers, agreements and options which may require the exercise of such powers, otherwise than pursuant to a rights issue, the grant and/or exercise of the Over-allotment Option and the ANT-Option, the grant of options under the Share Option Schemes and the exercise of the options which may be granted under the Share Option Schemes, or any scrip dividend scheme or similar arrangement providing for allotment of shares in lieu of the whole or in part of, any dividend in accordance with the articles of association of the Company, or the issue of Shares falling to be issued pursuant to the Placing and the Capitalisation Issue, the aggregate nominal amount of the share capital allotted or agreed to be allotted by the Directors pursuant thereto shall not exceed the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediate following the Placing and the Capitalisation Issue (such share capital shall include Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (bb) the aggregate nominal amount of the share capital of the Company purchased under the authority referred to in paragraph 3(c)(v) below. Such mandate shall 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 the Companies Law or other applicable Cayman Islands law or the articles of association of the Company to be held or when revoked or varied by an ordinary resolution of shareholders of the Company in general meeting, whichever is the earliest;
- (v) a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Placing and the Capitalisation Issue (such share capital shall include Shares which may be issued upon the exercise of the Over-allotment Option) until 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 the Companies Law or any other applicable

Cayman Islands law or the articles of association of the Company to be held or when revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest;

- (d) the rules of the Share Option Schemes were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and conditional on the GEM Listing Committee granting listings of and permission to deal in the Shares in issue and to be issued as mentioned in the prospectus and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of that agreement or otherwise on or before the date falling 30 days after the date of this prospectus, to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Schemes; and
- (e) the form and substance of each of the service agreements made between the executive Directors with the Company were approved.

#### **4. Group reorganisation**

The companies comprising the Group underwent a reorganisation to rationalise the structure of the Group in preparation for the listing of the Shares on GEM. The reorganisation involved the following:

- (a) On 2 October 2000, Eco-Tek (BVI) was incorporated in the British Virgin Islands under the name of “Saramore Co., Ltd.” with an authorised share capital of US\$50,000 divided into 50,000 share of US\$1.00 each, of which 1 share was allotted and issued on 5 December 2000 to Team Drive for cash at par.
- (b) On 9 November 2000, Eco-Tek Technology was incorporated in the British Virgin Islands under the name of “Natural Environmental Ltd.” with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 100 shares were allotted and issued on 5 December 2000 to Team Drive.
- (c) On 7 December 2000, Team Drive transferred the entire issued shares of Eco-Tek Technology to Eco-Tek (BVI). In consideration and in exchange for the transfer of shares aforesaid, Eco-Tek (BVI) allotted and issued 100 shares of US\$1 each, credited as fully paid, to Team Drive.
- (d) On 21 November 2001,
  - (i) Team Drive transferred the entire issued shares of Eco-Tek to Eco-Tek (BVI). In consideration and in exchange for the transfer of shares aforesaid, Eco-Tek (BVI) allotted and issued 21,559 shares of US\$1 each, credited as fully paid, to Team Drive;

- (ii) Eco-Tek (BVI) allotted and issued 1,200, 640, 40 and 20 shares of US\$1 each to Dr. Pau, Ms. Yip Yuk Chun, Mr. Shah Tahir Hussain and Ms. Chow Yuk Ngor respectively for cash at par;
- (iii) in consideration of PTEC transferred all technologies and intellectual properties in *Eco-Trap* to Eco-Tek Technology, Eco-Tek (BVI) allotted and issued 6,440 shares of US\$1 each to Advance New Technology, credited as fully paid, and in consideration of Eco-Tek (BVI)'s allotment and issue of the said 6,440 shares of US\$1 each to Advance New Technology, Eco-Tek Technology allotted and issued one share of US\$1, credited as fully paid, to Eco-Tek (BVI);
- (iv) the Company acquired from Team Drive, Advance New Technology, Dr. Pau, Ms. Yip Yuk Chun, Mr. Shah Tahir Hussain and Ms. Chow Yuk Ngor 30,000 shares of US\$1 each, being the entire issued share capital in Eco-Tek (BVI), and in consideration and in exchange for which, the Company:
  - (aa) allotted and issued, credited as fully paid, 216,600, 64,400, 12,000, 6,400, 400 and 200 Shares to Team Drive, Advance New Technology, Dr. Pau, Ms. Yip Yuk Chun, Mr. Shah Tahir Hussain and Ms. Chow Yuk Ngor respectively; and
  - (bb) credited as fully paid, 216,600, 64,400, 12,000, 6,400, 400 and 200 nil paid Shares held by Team Drive, Advance New Technology, Dr. Pau, Ms. Yip Yuk Chun, Mr. Shah Tahir Hussain and Ms. Chow Yuk Ngor respectively.

## 5. Changes in share capital of the subsidiaries of the Company

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus. In addition to the transactions referred to in the paragraph headed "Group reorganisation" above, the following alterations in the share capital of the subsidiaries of the Company took place within the two years immediately preceding the date of this prospectus :

- (a) On 25 May 2000;
  - (i) the authorised share capital of Eco-Tek was increased from HK\$10,000 to HK\$100,000 by the creation of 990,000 additional shares of HK\$1 each; and
  - (ii) 99,998 shares of HK\$1 each in Eco-Tek were allotted to Team Drive for cash at par;
- (b) On 1 December 2000, each of Dr. Chiang and Peace City transferred 1 share of HK\$1 each in Eco-Tek to Team Drive at the consideration of HK\$1.92 per share.

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

## 6. Repurchase by the Company of its own securities

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

### (a) *GEM Listing Rules*

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

#### (i) Shareholders' approval

All proposed repurchases of securities on GEM by a company listed on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transaction.

*Note:* Pursuant to a resolution in writing passed by all shareholders of the Company on 21 November 2001, a general unconditional mandate (the "Buyback Mandate") was given to the Directors authorising any repurchase by the Company of Shares on GEM of up to 10% of the aggregate nominal amount of the share capital of the Company immediately following the completion of the Placing and the Capitalisation Issue (such share capital shall include Shares which may be issued upon the exercise of the Over-allotment Option), such mandate to expire at the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by the Companies Law or any other applicable Cayman Island law or the articles of association of the Company to be held or when revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.

#### (ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose. Any repurchase will be made out of funds of the Company legally permitted to be utilised in this connection, including out of the profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if so authorised by its articles of association subject to the Companies Law out of capital. Any premium payable on a repurchase over the par value of the shares to be purchased must be provided for out of the profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(b) *Reasons for repurchase*

The Directors believe that it is in the best interests of the Company and its shareholders to have general authority from shareholders to enable the Directors 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 of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

(c) *Funding of repurchases*

- (i) In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and articles of association and the applicable law of the Cayman Islands.
- (ii) The Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. However, there might be a material adverse effect on the working capital requirements of the Company or the gearing level (as compared with the position disclosed in the accountants' report, the text of which is set out in Appendix I to this prospectus) in the event the Buyback Mandate is exercised in full.
- (iii) Exercise in full of the Buyback Mandate, on the basis of 552,800,000 Shares in issue immediately after the listing of the Shares on GEM, could result in up to 55,280,000 Shares, representing 10% of the Shares in issue immediately after the listing of the Shares on GEM, being repurchased by the Company during the period up to the conclusion of the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any other applicable Cayman Islands law to be held or when revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company, whichever is the earliest.

(d) *General*

- (i) None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention if the Buyback Mandate is exercised to sell any Shares to the Company or any of its subsidiaries.

- (ii) The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules and the applicable laws of Hong Kong and the Cayman Islands.
- (iii) If as a result of a repurchase of Shares a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers ("**Takeover Code**") issued by the Securities and Futures Commission. As a result, a shareholder, or group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. Save as aforesaid, the Directors are not aware of any consequences under the Takeover Code as a result of a repurchase of securities made immediately after the listing of the Shares.
- (iv) No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

## FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

### 7. Summary of material contracts

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

- (a) a deed dated 9 December 2000 and made between PTeC and Eco-Tek Technology (as amended by two supplemental deeds dated 5 June 2001 and 21 November 2001, respectively) for the acquisition by Eco-Tek Technology of the Patents and the Patent Applications together with the related intellectual property rights of *Eco-Trap* in consideration of the allotment and issue of such number of shares in Eco-Tek (BVI), credited as fully paid, representing 21.47% of the issued share capital of Eco-Tek (BVI) as enlarged by the allotment and issue of such shares to Advance New Technology;
- (b) the ANT-Option Agreement;
- (c) an agreement dated 21 November 2001 among (i) Team Drive, Advance New Technology, Dr. Pau, Ms. Yip Yuk Chun, Mr. Shah Tahir Hussain and Ms. Chow Yuk Ngor as vendors; (ii) Dr. Chiang as warrantor; and (iii) the Company as purchaser for the acquisition of the entire issued share capital of Eco-Tek (BVI)



in consideration of (i) the allotment and issue, credited as fully paid, 216,600, 64,400, 12,000, 6,400, 400 and 200 Shares to Team Drive, Advance New Technology, Dr. Pau, Ms. Yip Yuk Chun, Mr. Shah Tahir Hussain and Ms. Chow Yuk Ngor respectively; and (ii) credited as fully paid 216,600, 64,400, 12,000, 6,400, 400 and 200 nil paid Shares held by Team Drive, Advance New Technology, Dr. Pau, Ms. Yip Yuk Chun, Mr. Shah Tahir Hussain and Ms. Chow Yuk Ngor, respectively. Under this agreement, the liability of the warranties given by Dr. Chiang is limited to claims in respect of which written notice is received not later than 31 October 2004;

- (d) the Underwriting Agreement; and
- (e) a deed of indemnity dated 26 November 2001 given by Team Drive, Peace City, Dr. Chiang, Dr. Pau and Mr. Shah Tahir Hussain in favour of the Company for itself and as trustee for its subsidiaries containing, among other matters, the indemnities referred to in the sub-paragraph headed “Estate duty, tax and property indemnities” under the paragraph headed “Other information” in this Appendix.

## 8. Intellectual property rights of the Group

Pursuant to a deed dated 9 December 2000 (as amended by two supplemental deeds dated 5 June 2001 and 21 November 2001, respectively) referred to in the paragraph headed “Summary of material contracts” in the section headed “Further Information about the Business of the Group” in this Appendix, PTeC assigned the Patents and the Patent Applications together with the related intellectual property rights of *Eco-Trap* to the Group, details of which are set out below:

(a) *Patents for invention already granted*

<b>Name</b>	<b>Country of Registration</b>	<b>Registration Number</b>	<b>Expiry Date</b>
Filter-Short Term patent	Hong Kong	HK1015620	11 July 2003 ( <i>Note</i> )
Filter	PRC	ZL99209774.6	11 May 2009

*Note:* The term of the patent can be renewed for a term of further four years.



*(b) Patent Applications*

<b>Title of Invention</b>	<b>Country of Application</b>	<b>Application Number</b>	<b>Application Date</b>
Filter	Thailand	057357	9 May 2000
Filter	India	373/MAS/2000	12 May 2000
Filter	Malaysia	PI20002050	11 May 2000

As at the Latest Practicable Date, the Group had made application for the registration of the following patent:

<b>Title of Invention</b>	<b>Country of Application</b>	<b>Application Number</b>	<b>Application Date</b>
Noise Barriers	Hong Kong	01105127.4	20 July 2001

As at the Latest Practicable Date, the Group had made applications for the registration of the following trademark/service mark:

<b>Trademark/Service mark</b>	<b>Place of Application</b>	<b>Class</b>	<b>Goods/Services Covered</b>	<b>Application Number</b>	<b>Application Date</b>
	Hong Kong	42	(Note 1)	2000/27430	19 December 2000
	Hong Kong	7	(Note 2)	2001/12790	7 August 2001

*Notes:*

1. Researches on ecology products in relation to environmental protection.
2. Filters (parts of machines and engines); filters for industrial purposes; hydraulic filters; parts and fittings for all the aforesaid goods; all included in class 7.

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

<b>Domain Name</b>	<b>Registration Date</b>
www.eco-tek.com.hk	16 November 2000

**FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDERS AND EXPERTS**

**9. Disclosure of Interests**

- (a) Immediately following the completion of the Placing and the Capitalisation Issue, the interests of the Directors in the Shares and the share capital of any associated corporation (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have taken under section 31 of, or Part I of the Schedule to the SDI Ordinance) or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which will be required, pursuant to rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

Name	Number of Shares		Total
	Corporate interest	Personal interest	
Dr. Chiang (Note)	299,341,200	–	299,341,200
Dr. Pau	–	16,584,000	16,584,000
Mr. Shah Tahir Hussain	–	552,800	552,800

*Note* These Shares are held by Team Drive which is wholly owned by Peace City, a company the entire issued shares of which are beneficially owned by Dr. Chiang.

- (b) Each of Dr. Chiang, Dr. Pau and Mr. Shah Tahir Hussain has entered into a director's service agreement dated 21 November 2001 with the Company under which he/she has been appointed to act as an executive Director for an initial term of three years commencing from the Listing Date. The initial annual remuneration pursuant to such agreements for Dr. Chiang, Dr. Pau and Mr. Shah Tahir Hussain is HK\$600,000, HK\$1,440,000 and HK\$240,000 respectively and each of them is also entitled to a management bonus which shall be in an aggregate amount equals to 10% of the audited consolidated profits of the Group before taxation and extraordinary items for the relevant financial year provided that such consolidated profits shall exceed HK\$5,000,000 which is payable within three months after the availability of the audited consolidated accounts of the Group for the relevant financial year. The aggregate amount of such bonus payable to the executive Directors shall be divided by the number of the executive Directors and the entitlement of each executive Director shall be equal.
- (c) The aggregate of the remuneration paid and benefits in kind granted to the Directors by any member of the Group for the period from 1 November 1999 to 31 July 2001 was approximately HK\$2,104,000. Further information in respect of the Directors remuneration is set out in Appendix I to this prospectus.

## (d) Breakdown of directors' remuneration

	<b>Year ended</b> <b>31 October 2000</b> <i>HK\$'000</i>	<b>Nine months ended</b> <b>31 July 2001</b> <i>HK\$'000</i>
Mr. Shah Tahir Hussain	140	188
Dr. Chiang	350	458
Dr. Pau	—	968
	<u>490</u>	<u>1,614</u>

(e) During the two years preceding the date of this prospectus, the Group had entered into the related party transaction as described in note (g) under the section headed "Results" of the accountants' report set out in Appendix I to this prospectus.

(f) Save as disclosed herein:

- (i) none of the Directors has any interest in any shares in or in debentures of the Company or any associated corporation (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which he is taken or deemed to have under section 31 of or Part I of the Schedule to the SDI Ordinance) once the Shares are listed or which will be required, pursuant to section 29 of the SDI Ordinance, to be entered into the register referred to therein or will be required pursuant to Rule 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, once the Shares are listed;
- (ii) none of the Directors nor any of the experts whose names are listed in the paragraph headed "Consents of experts" of this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group;
- (iii) no Director is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (iv) the Directors are not aware of any person who will, immediately following the completion of the Placing and the Capitalisation Issue, 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 the Group;

- (v) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (vi) none of the experts whose names are listed in the paragraph headed “Consents of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to nominate persons to subscribe for securities in any member of the Group; and
- (vii) so far as known to the Directors, none of the Directors, their respective associates or shareholders in the Company who are interested in 5% or more of the issued share capital of the Company have any interest in the five largest customers of the Group.

## 10. Substantial shareholders

So far as the Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue (assuming the ANT-Option, the Over-allotment Option and options granted under the Share Option Schemes are not exercised), the holders of 10% or more of Shares then in issue will be:

Name	Number of Shares directly held	Approximate percentage of direct shareholding %
Team Drive ( <i>Note 1</i> )	299,341,200	54.15
Advance New Technology ( <i>Note 2</i> )	89,000,800	16.10

*Notes:*

1. Team Drive is wholly-owned by Peace City, a company the entire issued shares of which are beneficially owned by Dr. Chiang.
2. The entire issued shares of Advance New Technology are beneficially owned by PolyU.

## 11. Share Option Schemes

### *Pre-IPO Share Option Scheme*

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain directors and employees of the Group to its growth. The principal terms of the Pre-IPO Share Option Scheme, approved by the written resolutions of all the shareholders of the Company dated 21 November 2001, are substantially the same as the terms of the Post-IPO Share Option Scheme except that:

- (a) the subscription price for Shares under the Pre-IPO Share Option Scheme shall be a price notified by the board of Directors (the “Board”) to a grantee being not less than the nominal value of a Share;
- (b) an option may be exercised by the grantee at any time during the period to be notified by the Board to each grantee within which the Shares must be taken up commencing on the first anniversary of the Listing Date (the “Commencement Date”) and expiring on the last day of such period, and in any event such period of time shall not be more than ten years from the date on which such option is deemed to be granted in accordance with the terms of the Pre-IPO Share Option Scheme to the following extent:

Year 1	:	no Pre-IPO Share Option is exercisable;
Thereafter	:	all Shares comprised in the Pre-IPO Share Options.

For the purpose of this paragraph, the word “Year” means each successive period of twelve months, the first such period commencing on the Listing Date;

- (c) there are no similar restrictions on the maximum number of Shares and the granting of options as summarised in sub-paragraphs (e) and (t) of the paragraph headed “Post-IPO Share Option Scheme” respectively under the section headed “Share Option Schemes” in this Appendix.
- (d) the Pre-IPO Share Option Scheme is conditional on the passing of written resolutions(s) by the shareholders of the Company to approve and adopt it, and to authorise the directors of the Company to grant options to subscribe for Shares thereunder and conditional upon the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, to allot, issue and deal with Shares pursuant to the exercise of any options granted thereunder;

- (e) the total number of Shares comprised in the options granted under the Pre-IPO Share Option Scheme is 96,740,000 Shares representing 17.5% of the total issued share capital of the Company immediately following the completion of the Placing and the Capitalisation Issue (but before enlargement by the allotment and issue of Shares pursuant to the exercise of the Over-allotment Option, the ANT-Option and the Pre-IPO Share Options); and
- (f) save for the Pre-IPO Share Options, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the listing of the Shares on GEM.

As at the Latest Practicable Date, options to subscribe for an aggregate of 96,740,000 Shares at a subscription price of HK\$0.01 each have been granted under the Pre-IPO Share Option Scheme by the Company to three executive Directors. Each grantee has paid HK\$1.00 to the Company as consideration for such grant. All of these options were granted on 21 November 2001 and may be exercised within three years from the expiry of 12 months from the Listing Date.

Particulars of the outstanding options which have been granted under the Pre-IPO Share Option Scheme to the executive Directors of the Company are set out below:

Name of grantee	Address	Number of underlying Shares	Percentage of issued share capital immediately following the completion of the Placing and the Capitalisation Issue upon full exercise of the options (but before enlargement by the exercise of the Pre-IPO Share Options)
Dr. Chiang	Flat A, 1st Floor 47 Stubbs Road Hong Kong	55,280,000	10%
Dr. Pau	Flat A, Ground Floor No. 17 Fa Po Street Village Garden Yau Yat Chuen Kowloon Hong Kong	27,640,000	5%
Mr. Shah Tahir Hussain	Flat B 5th Floor Valley Ville No. 4B Wong Nei Chung Gap Road Hong Kong	13,820,000	2.5%

The Directors consider that the grant of options under the Pre-IPO Share Option Scheme with a subscription price of HK\$0.01 per Share which represents a discount of approximately 95.65% to the minimum point of the stated price range of HK\$0.23 per Share is a recognition of the contribution of the executive Directors to the growth of the Group.

Save as disclosed above, no options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme.

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

#### *Post-IPO Share Option Scheme*

(a) Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to enable the Group to grant options to selected persons as incentives or rewards for their contribution to the Group.

(b) Who may join

The Board may, at its absolute discretion, invite any employee and any director of the Company or its subsidiaries (including any executive, non-executive and independent non-executive directors) (“Eligible Persons”) to take up options to subscribe for Shares at a price calculated in accordance with paragraph (d) below.

(c) Grant and acceptance of options

- (i) An offer of the grant of an option shall be made to Eligible Persons by a letter in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the date of adoption of the Post-IPO Share Option Scheme or after the Post-IPO Share Option Scheme has been terminated.
- (ii) A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Eligible Person together with the said consideration of HK\$1.00 is received by the Company.
- (iii) Any offer of the grant of an option may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.



## (d) Price of Shares

The subscription price for Shares under the Post-IPO Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option. For the purpose of calculating the exercise price where the Company has been listed for less than five business days, the Issue Price shall be used as the closing price for any business day falling within the period before listing of the Shares on GEM.

## (e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time.
- (ii) Subject to (i) above, the total number of Shares available for issue under the Post-IPO Share Option Scheme and any other scheme must not in aggregate, exceed 10% of the issued share capital of the Company at the Listing Date (the "Scheme Mandate Limit") unless further shareholders' approval has been obtained pursuant to paragraphs (iii) and (iv) below, provided that options lapsed in accordance with the terms of the Post-IPO Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) The Company may after sending a circular to the Shareholders containing information required under Rule 23.02(2)(d) of the GEM Listing Rules seek approval by its shareholders in general meeting for "refreshing" the Scheme Mandate Limit. However, the Scheme Mandate Limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the renewed limit. Options previously granted under the Post-IPO Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Post-IPO Share Option Scheme or exercised options) will not be counted for the purpose of calculating the "refreshed" limit.
- (iv) Subject to (i) above, the Company may also seek separate approval by its shareholders for granting options beyond the Scheme Mandate Limit to Eligible Persons specifically identified by the Company before such approval

is sought. A circular must be sent to the Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the options to be granted, the purpose of granting options to the identified Eligible Persons and how those options serve such purpose.

- (v) The total number of Shares issued and to be issued upon exercise of the options granted to an Eligible Person (including exercised, cancelled and outstanding options) in any 12 month period up to the date of grant to each Eligible Person shall not exceed 1% of the issued share capital of the Company from time to time, and any further grant of options in excess of such limit shall be approved by shareholders in general meeting with such Eligible Person and his associate abstaining from voting. A circular must be sent to the shareholders disclosing the identity of the Eligible Person involved, the number and terms of the options granted and to be granted (and options previously granted to such Eligible Person) and the information required under Rule 23.02(2)(d) of the GEM Listing Rules. The number and terms of options to be granted to such Eligible Person must be fixed before shareholders' meeting and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under Rule 23.03(9) of the GEM Listing Rules.
  
- (f) Exercise of option
  - (i) Unless the Board otherwise determined and stated in the offer of grant of options, an option may be exercised at any time after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the Board to each grantee, but in any event not later than 10 years from the date of grant of the option (the "Option Period"). Unless the Board otherwise determined and stated in the offer of options, there is no minimum period for which an option must be held before it can be exercised.
  
  - (ii) An option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors, the Company shall allot, and shall instruct the Share Registrar to issue, the relevant Shares to the grantee (or his legal personal representative) credited as fully paid.

(g) Performance targets

Unless the Board otherwise determined and stated in the offer of grant of options, an Eligible Person to whom any option is granted is not required to achieve any performance target before any exercise of his/her options.

(h) Time of grant of options

Grant of options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published in the newspapers. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting for the approval of the Company's interim or annual results and (ii) the deadline for the company to publish its interim or annual results announcement and ending on the date of the results announcements.

(i) Rights are personal to grantees

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

(j) Rights on dismissal or ceasing employment

If the grantee of an option ceases to be an Eligible Person for any reason other than his death or the termination of his employment on one or more of the grounds of serious misconduct, bankruptcy, insolvency, composition with his creditors generally or conviction of any criminal offence involving his integrity or honesty, the grantee may (if the date of cessation of employment is on or after the date on which such option is deemed to be granted and accepted in accordance with the terms of the Post-IPO Share Option Scheme) exercise the option at any time on or before the date which is 3 months after the date of cessation up to his or her entitlement at the date of cessation to the extent not already exercised.

(k) Rights on death

If the grantee of an option dies before exercising the option in full and none of the events which would be a ground for termination of his or her employment under paragraph (j) above occurs, his or her legal personal representatives shall be entitled within a period of 12 months from the date of death of the grantee to exercise the option up to the entitlement of such grantee as at the date of death in part or in full to the extent not already exercised.

## (l) Cancellation of options

Any cancellation of options granted but not exercised shall require approval of shareholders of the Company in general meeting, and the relevant grantees and their respective associates shall abstain from voting. Cancelled options may be re-issued to any Eligible Person after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the Post-IPO Share Option Scheme, in particular, subject to the maximum number of shares available for subscription referred to in paragraph (e) above and provided further that new options may be issued to an Eligible Person in place of his cancelled options only if there are available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the renewed Scheme Mandate Limit.

## (m) Effect of alterations to share capital

In the event of any capitalisation of profits or reserves, rights issue, consolidation, sub-division, or reduction of the share capital of the Company, other than an issue of Shares as consideration in a transaction to which the Company is a party or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividend paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to (i) the number or nominal amount of Shares subject to any option so far as unexercised and/or (ii) the subscription price as the Company's financial advisor or auditors shall certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any option shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The financial adviser or the auditors of the Company must confirm to the Directors in writing that such adjustments satisfy the aforesaid requirements.

## (n) Rights on a general offer

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the grantee shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date of the announcement of an unconditional offer or within 3 days after a conditional offer becomes or is declared unconditional (as the case may be) provided that the grantee may only exercise any option when the offer is unconditional.

(o) Rights on winding up

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and any grantee may by notice in writing to the Company accompanied by the remittance for the exercise price in respect of the relevant option (such notice to be received by the Company not later than four business days prior to the date of the proposed shareholders' meeting) exercise the option (to the extent not already exercised even though the option period has not come into effect) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day 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 credited as fully paid.

(p) Rights on a reconstruction, compromise or 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 of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the grantee may by notice in writing to the Company accompanied by the remittance for the exercise price in respect of the relevant option (such notice to be received by the Company not later than two business days prior to the date of the proposed meeting) exercise the option (to the extent not already exercised even though the option period has not come into effect) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than the day 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.

(q) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as from the date when the name of the grantee is registered on the register of members of the Company and accordingly will entitle the holders thereof to participate in all dividends or other distributions (including distributions made upon the liquidation of the Company) paid or made on or after the date when the name of grantee is registered on the register of members of the Company other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date when the name of grantee is registered on the register

of members of the Company, provided always that if the date of exercise of the option falls on a date upon which the register of members of the Company is closed, then the exercise of the option shall become effective on the first business day on which the register of members of the Company is re-opened. A Share allotted upon the exercise of an option shall not carry any voting rights until the name of the grantee has been duly entered into the register of members of the Company as the holder thereof.

(r) Duration and administration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Post-IPO Share Option Scheme, after such period no further options will be issued but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. The Post-IPO Share Option Scheme shall be administered by the Board whose decision (save as otherwise provided therein) shall be final and bind on all parties.

(s) Alterations to the terms of the Post-IPO Share Option Scheme

The Board may from time to time at its absolute discretion waive or amend any terms of the Post-IPO Share Option Scheme provided that the Board may not amend the following provisions without the prior sanction of the Company in general meeting with the Eligible Persons and their associates abstaining from voting:-

- (i) any of the provisions relating to the matters contained in Rule 23.03 of the GEM Listing Rules to the advantage of grantees;
- (ii) any terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any terms of the options granted except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option scheme;
- (iii) any provisions on the authority of the Board in relation to any alteration to the terms of the Post-IPO Share Option Scheme.

The amended terms of the Post-IPO Share Option Scheme or the options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

- (t) Grant of options to connected persons or any of their associates
- (i) Any grant of options to a connected person or any of their respective associates must be approved by all the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee of the options).
  - (ii) Where any grant of options to a substantial shareholder of the Company (as such term is defined in the GEM Listing Rules) or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, then such further grant of options must be approved by shareholders of the Company in general meeting taken on a poll. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the shareholders' circular to be issued as stated below).
  - (iii) A shareholders' circular must be prepared by the Company explaining the proposed grant, containing (i) details of the number and terms (including the exercise price) of the options to be granted to each participant, (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) on whether or not to vote in favour of the proposed grant, (iii) information relating to any Directors of the Company who are trustees of the scheme or have a direct or indirect interest in the trustees.
  - (iv) Any change in the terms of options granted to a connected person, a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by shareholders in general meeting.
- (u) Lapse of option

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

- (i) the expiry of the relevant option period;
- (ii) the expiry of the periods referred to in paragraphs (j), (k) (n), (o) and (p);

- (iii) the date on which the grantee ceases to be an Eligible Person by reason of the termination of his or her employment on the grounds under paragraph (j);
- (iv) the date on which the grantee commits a breach of paragraph (i).
- (v) Termination

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

- (w) Conditions of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall take effect subject to and is conditional on:

- (i) the GEM Listing Committee granting listing of, and permission to deal in the Shares which may be issued pursuant to the exercise of options that may be granted under the Post-IPO Share Option Scheme; 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) thereunder) and not being terminated in accordance with the terms of that agreement or otherwise.

As at the Latest Practicable Date, no option has been granted under the Post-IPO Share Option Scheme. Application has been made to the GEM Listing Committee for the listing of, and permission to deal in, the Shares which fall to be issued pursuant to the exercise of any options that may be granted under the Post-IPO Share Option Scheme.



## 12. ANT-Option Agreement

Pursuant to the ANT-Option Agreement, the Company granted the ANT-Option to Advance New Technology at the consideration of HK\$1.00 as a reward to PolyU's continuing support and collaboration with the Group and for the purpose of enhancing future cooperative relationship between PolyU and the Group. The ANT-Option Agreement, which are in compliance with the requirements of chapter 21 of the GEM Listing Rules, are summarised as follows:

Name and address of grantee:	Advance New Technology Limited Finance Office The Hong Kong Polytechnic University Hung Hom Kowloon Hong Kong
Number of underlying Shares:	Such number of Shares that shall represent 2.5% of the issued share capital of the Company immediately after the completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the ANT-Option).
Exercise period:	Between the 1st and 3rd anniversary of the Listing Date.
Exercise price:	A sum equivalent to 90% of the Issue Price.

## OTHER INFORMATION

### 13. Estate duty, tax and property indemnities

Each of Team Drive, Peace City, Dr. Chiang, Dr. Pau and Mr. Shah Tahir Hussain (collectively the "Indemnifiers") has entered into a deed of indemnity with and in favour of the Company for itself and as trustees for its subsidiaries (being the material contract(s) referred to in paragraph 7(e) of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of the Group on or before the date on which the Placing becomes unconditional. The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands and the British Virgin Islands.

Under the deed of indemnity, the Indemnifiers have also given indemnities in favour of the Group on a joint and several basis in relation to, among other things, taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Placing becomes unconditional. The Indemnifiers however, not be liable under the deed of indemnity where:

- (a) to the extent that provision has been made for such taxation in the audited accounts of the Company or any of its subsidiaries up to 31 July 2001; or
- (b) the taxation falls on any member of the Group in respect of their current accounting periods or any accounting period commencing on or after 1 August 2001 unless the taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of the Group effected with the prior consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before 31 July 2001; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 July 2001 or pursuant to any statement of intention made in this prospectus; or
  - (iii) consisting of any member of the Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation; or
- (c) to the extent of any provisions or reserve made for any taxation in the audited accounts of the Company or its subsidiaries up to 31 July 2001 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 Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (d) the taxation arises or is incurred as a result of a retrospective change in the law or practice coming into force after the date on which the Placing becoming unconditional or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date on which the Placing becomes unconditional with retrospective effect.

The Indemnifiers have also given indemnities, on a joint and several basis in relation to, among other things, any costs, expenses, claims, losses, damages, liabilities and proceedings which may be incurred or suffered by the Group arising from the Group's being evicted from

its principal place of business in Hong Kong situated at Flat B, Ground Floor, Fu Hop Factory Building, Nos. 209-211 Wai Yip Street, Kowloon for the reason that there is and/or has been a breach of the non-alienation provision of the tenancy agreement in respect of such property.

Save for any claim under the Estate Duty Ordinance for which the Indemnifiers shall be liable in perpetuity, the Indemnifiers or any of them shall not be liable in respect of any claim under the deed of indemnity unless a notice in writing of such claim shall have been given to the Indemnifiers on or prior to the expiry of seven years from the date the deed of indemnity becomes effective.

#### **14. Litigation**

Neither the Company nor any member of the Group is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against the Company or any member of the Group.

#### **15. Sponsor and Co-sponsor**

- (a) the Sponsor and the Co-sponsor have made an application on behalf of the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may fall to be issued upon the exercise of the Over-allotment Option, the ANT-Option and options granted or which may be granted under the Share Option Schemes.
- (b) The Sponsor, will receive normal professional fees in connection with the advisory services to be provided to the company for a term period covering the remainder of the financial year ending 31 October 2002 and the two financial years thereafter.
- (c) The Sponsor and an affiliate of the Co-sponsor, will receive underwriting commission pursuant to the Underwriting Agreement in their capacity as underwriters to the Placing.

#### **16. Preliminary expenses**

The estimated preliminary expenses of the Company are approximately HK\$8 million and are payable by the Company.

#### **17. Promoter**

The promoter of the Company is Dr. Chiang. Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted or given, or was proposed to be paid, allotted or given, to any person in connection with the Placing or the related transactions as described in this prospectus within the two years immediately preceding the date of this prospectus.

**18. Qualifications of experts**

The followings are the qualifications of the experts who have given their opinions or advice which are contained in this prospectus:

<b>Name of expert</b>	<b>Qualifications</b>
Celestial Capital	Investment adviser and dealer registered under the Securities Ordinance
SBI E2-Capital	Investment adviser and dealer registered under the Securities Ordinance
Ernst & Young	Certified public accountants
Chesterton Petty Limited	Chartered Surveyors and independent valuers
Conyers Dill & Pearman, Cayman	Cayman Islands barristers and attorneys

**19. Consents of experts**

Celestial Capital, SBI E2-Capital, Ernst & Young, Chesterton Petty Limited and Conyers Dill & Pearman, Cayman have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names in the form and context in which they are respectively included.

**20. Binding effect**

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

**21. Taxation of holders of Shares***(a) Hong Kong*

Dealings in Shares registered on the Company's Hong Kong register of members will be subject to Hong Kong stamp duty.

*(b) Cayman Islands*

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Professional tax advice recommended*

Intended holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Placing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

## 22. Public float

The minimum prescribed percentage for the Shares to be held by the public after listing shall be not less than 25% of the share capital of the Company in issue from time to time.

## 23. Miscellaneous

(a) Save as disclosed herein :

(i) within the two years preceding the date of this prospectus:

(aa) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

(cc) no commission has been paid or payable (excluding sub-underwriting commissions) for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any Shares; and

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

(b) Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Group since 31 July 2001 (being the date to which the latest audited combined financial statements of the Group were made up).

(c) The Company has no founders shares, management shares or deferred shares.

(d) The register of members of the company will be maintained in Hong Kong by Tengis Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with the Company's share registrar in Hong Kong.

(e) All necessary arrangement have been made to enable the Shares to be admitted to CCASS.