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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Techwayson Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purpose only and does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of Techwayson Holdings Limited, nor have any such shares or other securities been allotted with a view to any of them being offered for sale to the public. No new shares will be issued in connection with, or pursuant to, the publication of this circular.

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## Techwayson Holdings Limited

德維森控股有限公司\*

*(incorporated in the Cayman Islands with limited liability)*

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING  
ON THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED,  
PROPOSED WAIVER TO REDUCE THE NOTICE PERIOD OF  
VOLUNTARY WITHDRAWAL UNDER RULE 9.19(3),  
PROPOSED TERMINATION OF  
THE EXISTING SHARE OPTION SCHEME,  
PROPOSED ADOPTION OF  
THE NEW SHARE OPTION SCHEME  
AND NEW ARTICLES OF ASSOCIATION  
IN SUBSTITUTION OF THE EXISTING  
ARTICLES OF ASSOCIATION  
AND GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

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A letter from the board of directors of Techwayson Holdings Limited (the “Company”) is set out on pages 6 to 16 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Room 1810, 18/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Monday, 20 January 2003 at 11:00 a.m. or any adjournment thereof is set out on pages 48 to 52 of this circular.

Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Hong Kong Registrars Limited, the branch share registrar of the Company in Hong Kong (at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong) as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting of the Company. Completion of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting of the Company, or any adjourned meeting, should you so wish.

This circular will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for a minimum period of seven days from the date of publication.

\* For identification only

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## CHARACTERISTICS OF GEM

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which these companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “[www.hkgem.com](http://www.hkgem.com)” in order to obtain up-to-date information on GEM-listed issuers.

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Board”	the board of Directors
“Business Day(s)”	any day(s) on which the Stock Exchange is open for the business of dealings in securities
“CAF Securities”	CAF Securities Company Limited, an investment adviser and a dealer registered under the Securities Ordinance and the Co-sponsor of the Introduction
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Techwayson Holdings Limited, an exempted company incorporated in the Cayman Islands on 1 September 2000 with limited liability, the Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“Dr. Sze”	Dr. Sze Kwan, chairman of the Company
“Effective Date”	the day on which the Proposed Withdrawal becomes effective, which is expected to be on or about 29 January 2003
“Existing Articles of Association”	the articles of association adopted by the Company on 22 January 2001
“Existing Share Option Scheme”	the share option scheme for employees and directors of the Group conditionally adopted by the Company on 22 January 2001
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be held on Monday, 20 January 2003 at Room 1810, 18/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. or any adjournment thereof, the notice of which is set out on pages 48 to 52 of this circular
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange responsible of GEM listing matters

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## DEFINITIONS

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Introduction”	the proposed listing of the Shares on the Main Board by way of an introduction pursuant to the Listing Rules
“JS Cresvale”	JS Cresvale Securities International Limited, an investment adviser and a dealer registered under the Securities Ordinance and the Sponsor of the Introduction
“Latest Practicable Date”	24 December 2002, being the latest practicable date of ascertaining certain information contained in this circular prior to its publication
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange responsible for Main Board listing matters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“New Articles of Association”	the new articles of association proposed to be adopted by the Company at the Extraordinary General Meeting
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the Extraordinary General Meeting
“Otto Link”	Otto Link Technology Limited, a company incorporated in the BVI on 17 March 2000 and beneficially owned as to 80 per cent. by Dr. Sze who is the chairman of the Company and as to the remaining 20 per cent. by Mr. Tung Fai who is a director of the Company. For the purpose of the GEM Listing Rules, it is one of the substantial shareholders of the Company

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## DEFINITIONS

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“PRC”	the People’s Republic of China, which for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated 31 January 2001 in connection with the listing of the Shares on GEM by way of placing
“Proposed Withdrawal”	the proposed voluntary withdrawal of listing of the Shares on GEM
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	valuation report contained in Appendix II to the listing document of the Company in relation to the Introduction to be dated on or about 30 December 2002
“HK\$” or “cents”	Hong Kong dollars or cents, the lawful currency of Hong Kong
“%”	per cent.

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## RESPONSIBILITY STATEMENT

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This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (i) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (ii) there are no other matters the omission of which would make any statement in this circular misleading; and
- (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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## EXPECTED TIMETABLE

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The expected timetable for the Proposed Withdrawal and the Introduction is set out below:

Despatch of this circular, notice of Extraordinary General Meeting and forms of proxy for the Extraordinary General Meeting to the Shareholders .....	Friday, 27 December 2002
Despatch of listing document in relation to the Introduction .....	Monday, 30 December 2002
Latest time for lodgement of forms of proxy for the Extraordinary General Meeting .....	11:00 a.m. on Saturday, 18 January 2003
Extraordinary General Meeting .....	11:00 a.m. on Monday, 20 January 2003
Notice of the Proposed Withdrawal and announcement of results of the Extraordinary General Meeting to be published in the South China Morning Post, the Hong Kong Economic Times and on the GEM website .....	Tuesday, 21 January 2003
Last day of dealings in the Shares on GEM .....	Tuesday, 28 January 2003
Withdrawal of listing from GEM effective from .....	9:30 a.m. on Wednesday, 29 January 2003
First day of dealings in the Shares on the Main Board .....	9:30 a.m. on Wednesday, 29 January 2003





# Techwayson Holdings Limited

德維森控股有限公司\*

(incorporated in the Cayman Islands with limited liability)

*Executive Directors:*

Dr. Sze Kwan  
Mr. Lee Tiong Hock  
Mr. Tung Fai  
Mr. Ye Wei Fa

*Non-executive Director:*

Mr. Lin Gongshi

*Independent non-executive Directors:*

Mr. Wee Soon Chiang, Henny  
Mr. Wong Kam Kau, Eddie

*Registered office:*

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Head office and principal  
place of business:*

Room 1810, 18th Floor  
Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong

27 December 2002

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING  
ON THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED,  
PROPOSED WAIVER TO REDUCE THE NOTICE PERIOD OF  
VOLUNTARY WITHDRAWAL UNDER RULE 9.19(3),  
PROPOSED TERMINATION OF  
THE EXISTING SHARE OPTION SCHEME,  
PROPOSED ADOPTION OF  
THE NEW SHARE OPTION SCHEME  
AND NEW ARTICLES OF ASSOCIATION  
IN SUBSTITUTION OF THE EXISTING  
ARTICLES OF ASSOCIATION  
AND GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES**

**BACKGROUND**

On 18 September 2002, the Company announced that it had submitted an advance booking form of an application to the Stock Exchange for the proposed listing of the Shares on the Main Board by way of introduction and informed the Stock Exchange of its intention to voluntarily withdraw the listing of the Shares on GEM.

\* For identification only

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information relating to the Introduction, the Proposed Withdrawal, the New Share Option Scheme, the New Articles of Association and the general mandates to issue and repurchase Shares and to seek your approval of the relevant resolutions relating to the Proposed Withdrawal, the reduction of notice period for the Proposed Withdrawal, the New Share Option Scheme, the New Articles of Association and the general mandates to issue and repurchase Shares to be proposed at the Extraordinary General Meeting.

### THE PROPOSED WITHDRAWAL AND THE INTRODUCTION

On 18 September 2002, JS Cresvale and CAF Securities have submitted an advance booking form on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of any options which were granted under the Existing Share Option Scheme and which may be granted under the New Share Option Scheme on the Main Board. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn.

Under the GEM Listing Rules, an issuer that has an alternative listing on another stock exchange or securities market recognised for this purpose by the Stock Exchange may not voluntarily withdraw its listing on GEM unless:

- (i) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; and
- (ii) the issuer has given its shareholders at least three months' notice of the proposed withdrawal of listing.

In connection with the Proposed Withdrawal, the Company has applied to the Stock Exchange for, and the GEM Listing Committee of the Stock Exchange has granted, a waiver for the minimum three months' notice required under the GEM Listing Rules, subject to the fulfillment of the following conditions:

- (i) the notice period for the Proposed Withdrawal shall be a minimum of five clear Business Days after the approval of the Shareholders for the Proposed Withdrawal shall have been obtained;
- (ii) the prior approval of the Shareholders for the reduction of notice period for the Proposed Withdrawal to a minimum of five clear Business Days shall have been obtained;
- (iii) in respect of the Shares, there is no change in the board lot size or share certificates, the share registrar and the trading currency in connection with the proposal to transfer its listing status; and
- (iv) there is no other fact that leads the Stock Exchange to believe that the reduced notice period is not feasible.

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## LETTER FROM THE BOARD

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The Directors consider that it is in the best interest of the Shareholders as a whole that such notice period be reduced so that the Proposed Withdrawal and the Introduction can be carried out as soon as practicable after obtaining relevant approvals from the Shareholders to minimise market uncertainties (if any).

Accordingly, the Extraordinary General Meeting is convened to seek approval of the Shareholders for, amongst other things, the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal and after such approval shall have been obtained, a notice of the Proposed Withdrawal will be published.

The Proposed Withdrawal and the Introduction are conditional upon, amongst other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of any options which were granted under the Existing Share Option Scheme and which may be granted under the New Share Option Scheme on the Main Board;
- (ii) the GEM Listing Committee granting a waiver for the reduction of the notice period for the Proposed Withdrawal;
- (iii) the passing of an ordinary resolution by the Shareholders at the Extraordinary General Meeting to approve the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal; and
- (iv) the publication of a notice of the Proposed Withdrawal after the approval of the Shareholders for the Proposed Withdrawal shall have been obtained at the Extraordinary General Meeting which notice period shall not be less than five clear Business Days before the Effective Date.

The GEM Listing Committee has, on 18 December 2002, granted a conditional waiver for the reduction of the notice period for the Proposed Withdrawal.

### **EFFECTS OF THE PROPOSED WITHDRAWAL**

It is expected that dealings in the Shares on GEM will cease at 9:30 a.m. on the Effective Date and dealings in the Shares on the Main Board will commence at 9:30 a.m. on the Effective Date. The Company will make further announcement after the Extraordinary General Meeting to publish the results of the Extraordinary General Meeting and the information relating to the Proposed Withdrawal and the trading arrangement of the Shares in respect of the Proposed Withdrawal and the Introduction.

The Proposed Withdrawal and the Introduction will not have any effect on the existing share certificates which will continue to be good evidence of legal title, and will not involve any transfer or exchange of the existing share certificates. No change is proposed to be made to the board lot size of 4,000 Shares, trading currency of the Shares and the share registrars of the Company in connection with the Proposed Withdrawal and the Introduction. If and when the Shares are listed on the Main Board, investors may be required to sign a new client agreement with their stockbrokers.

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## LETTER FROM THE BOARD

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The continuing obligations of listed issuers under the Listing Rules and the GEM Listing Rules are not the same. For example, the principal means of information dissemination by listed issuers on GEM is via the publication on the internet website operated by the Stock Exchange whereas the principal means of information dissemination for Main Board's listed issuers is through newspapers. In addition, the Main Board's listed issuers are not required to publish quarterly reports. It is the Directors' current intention to continue to issue the quarterly results following the Introduction.

### **REASONS FOR THE PROPOSED WITHDRAWAL**

The Group has experienced considerable growth since the listing of the Shares on GEM in February 2001. The actual use of the proceeds raised from the listing of the Shares on GEM in February 2001 and the business progress of the Group followed the relevant description in the Prospectus in all material respects. The Company has grown substantially and has generated sufficient profits to fulfill the Main Board's profit requirements. Furthermore, the Company has targeted to improve its shareholder base, liquidity of Share and recognitions by attracting larger institutional and retail investors. The Introduction will not affect the existing underlying business objectives and strategies of the Group. The Company will continue with its business operations and will continue to actively explore and identify suitable investment opportunities in the PRC and overseas market.

In view of the above circumstances, the Directors consider that a Main Board listing may better reflect the profile of the Group and is expected to be beneficial to the future development of the Group. Accordingly, it is proposed that the listing of the Shares on GEM be withdrawn immediately prior to the listing of the Shares on the Main Board.

### **NEW SHARE OPTION SCHEME**

In connection with the Introduction, the Board proposes to seek the approval of the Shareholders for the New Share Option Scheme, the provisions of which will comply with the requirements of the Listing Rules. A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular. The Existing Share Option Scheme will be terminated and replaced by the New Share Option Scheme when the New Share Option Scheme shall have been approved and adopted by the Shareholders in the Extraordinary General Meeting and shall have become unconditional.

The Existing Share Option Scheme provides that no further options will be offered upon the termination thereof. However, options complying with the provisions of Chapter 23 of the GEM Listing Rules which are granted before such termination and remain unexpired shall continue to be exercisable in accordance with their terms of issue within one month after such termination. As at the date hereof, no option has been granted under the Existing Share Option Scheme. The Directors confirmed that the Company has no present intention to grant any option under the Existing Share Option Scheme on or before its proposed termination.

Since the period in which the Shares are traded on GEM, which commenced in February 2001, is not long enough to derive any meaningful financial estimates upon which the value of options would be determined, the Directors consider that currently it is not feasible to state the value of all the options which may be granted under the New Share Option Scheme.

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## LETTER FROM THE BOARD

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### Conditions of the New Share Option Scheme

The adoption of the New Share Option Scheme will be conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of any options which were granted under the Existing Share Option Scheme and which may be granted under the New Share Option Scheme on the Main Board; and
- (ii) the passing of an ordinary resolution by the Shareholders at the Extraordinary General Meeting to approve the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme and to authorise the Board to grant options under the New Share Option Scheme and to allot, issue and deal with the Shares which fall to be issued by the Company pursuant to the exercise of such options.

### NEW ARTICLES OF ASSOCIATION

In connection with the Introduction and to make other immaterial changes in the Existing Articles of Association, the Board proposes to seek the approval of the Shareholders for the adoption of the New Articles of Association at the Extraordinary General Meeting, the provisions of which will comply with the requirements of the Listing Rules. The provisions of the New Articles of Association are in all material respects identical to the Existing Articles of Association. A summary of the principal terms of the New Articles of Association and further details of the differences between the New Articles of Association and the Existing Articles of Association are set out in Appendix II to this circular. The Existing Articles of Association will be substituted by the New Articles of Association when the New Articles of Association shall have been approved and adopted by the Shareholders at the Extraordinary General Meeting and the resolution approving the New Articles of Association becoming unconditional upon listing of the Shares on the Main Board.

### Conditions of the New Articles of Association

The adoption of the New Articles of Association will be conditional upon:

- (i) the listing of the Shares on the Main Board; and
- (ii) the passing of a special resolution by the Shareholders at the Extraordinary General Meeting to approve and adopt the New Articles of Association in substitution of the Existing Articles of Association.

### GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

As the existing general mandate granted to the Directors make specific reference to GEM, in order to cater for the Proposed Withdrawal and the Introduction, the Board proposes to seek the approval of the Shareholders to (i) revoke the existing general mandates granted to the Directors to allot, issue and deal with the Shares, to repurchase the Shares and to allot, issue and deal with the additional Shares repurchased by the Company at the annual general meeting of the Company held on 25 October 2002; and (ii) give

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## LETTER FROM THE BOARD

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the Directors new general and unconditional mandates to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company at the date of the resolution, to repurchase Shares not exceeding 10% of the issued share capital of the Company at the date of the resolution, and to extend the general mandate to issue Shares by adding to it the nominal amount of any Shares repurchased by the Company under the general mandate to repurchase Shares. For details in relation to the reasons for the repurchase and exercise of the existing mandate to repurchase Shares, please refer to the explanatory statement at Appendix III to this circular.

The revocation of the existing general mandates and the granting of the new general mandates to issue and repurchase Shares will be conditional upon the listing of the Shares on the Main Board.

The Directors confirmed that they have not exercised any of the existing general mandates and have no intention to exercise the same prior to the proposed listing of Shares on the Main Board.

### **EXPLANATORY STATEMENT**

Pursuant to Rule 10.06 of the Listing Rules, an explanatory statement containing all relevant information in relation to the repurchase mandate is set out in Appendix III to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions relating to the repurchase mandate.

### **FINANCIAL INFORMATION**

#### **Indebtedness**

##### *Borrowings*

As at the close of business on 31 October 2002, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had loan payable of approximately RMB18,695,000 comprising interest-bearing and non-interest bearing loan of RMB16,695,000 and RMB2,000,000 respectively.

##### *Disclaimer*

Apart from loan payable and normal trade payables, the Group did not have outstanding at the close of business on 31 October 2002 any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

Apart from the utilisation of trust receipt facilities of RMB8.3 million subsequent to 31 October 2002, the Directors have confirmed that there have not been any material changes in the indebtedness and contingent liability of the Group since 31 October 2002.

##### *Disclosure under Rules 17.15 to 17.21 of the GEM Listing Rules and Practise Note 19 of the Listing Rules*

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules and Practise Note 19 of the Listing Rules.

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## LETTER FROM THE BOARD

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### **Liquidity, financial resources and capital structure**

#### *Net current assets*

As at 31 October 2002, the Group's total current assets were approximately RMB68.5 million, comprising inventories of approximately RMB8.3 million, trade receivables of approximately RMB13.4 million, prepayments, deposits and other current receivables of approximately RMB42.8 million and cash and bank deposits of approximately RMB4.0 million. The changes in total current asset as compared with the Group's total current assets as at 30 June 2002, comprise: (i) the increase of the inventories due to the purchase of raw material for an industrial automation system project to be delivered in November 2002, which, the Directors confirmed, has been delivered subsequently; (ii) the increase in prepayment, deposits and other current receivables due to the purchase of raw material for an industrial automation system to be delivered in December 2002, which, the Directors confirmed, will be delivered by end of December; (iii) the decrease of cash and bank deposit due to the cash utilisation in a purchase of raw material for an industrial automation system research project and payment of RMB56 million for building construction; and (iv) the decrease of trade receivables due to the decrease of sales during the period.

As at 31 October 2002, the Group's total current liabilities were approximately RMB33.2 million, comprising trade payables of approximately RMB13.9 million, accrued liabilities of approximately RMB11.9 million, current portion of loan payable of approximately RMB4.5 million and taxation payable of approximately RMB2.9 million.

#### *Financial resources*

In the past, the Group financed its operations by means of equity funding, loans from shareholders and Directors, loans payable and funds generated from its business operations. As at 31 October 2002, apart from loans payable and normal trade payables, the Group did not have any other borrowings which would require cash outlay for settlement.

The Directors intend to finance the Group's future operations and capital expenditure principally through internally generated cashflows supplemented by bank financing or the raising of funds in international capital and debt markets, or through a combination of these methods, whichever the Directors may consider appropriate in the circumstances.

As at 31 October 2002, the Group had been granted two banking facilities amounting to HK\$10,000,000 and US\$1,500,000 with the effective date on 26 September 2002 and 21 October 2002 respectively, which were secured by fixed deposits of 30 per cent. on the facilities amount and corporate guarantees.

#### *Commitments and contingent liabilities*

As at 31 October 2002, the Group had operating lease commitments of approximately RMB3,623,000. As at the same date, the Group had contracted for approximately RMB62.3 million in capital commitment, which amount has not been provided for in the financial statements. The commitment included RMB2.8 million of software development cost contracted in July 2002 and RMB59.5 million which had been included in capital commitment of RMB115.5 million as at 30 June 2002. The commitment amount of RMB115.5 million as at 30 June 2002 comprised amounts of RMB112 million and RMB3.5 million for construction and design of a building respectively, and out of which RMB56 million was

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## LETTER FROM THE BOARD

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settled in July 2002. The property is expected to be used for general administrative, research and development and manufacturing purposes. The contracted party is unrelated to the Group. The construction is in progress and payments will be made by reference to the stage of completion and will be financed by internal resources of the Group.

As at 31 October 2002, the Group had no contingent liabilities.

### ADJUSTED NET TANGIBLE ASSETS

The following pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net tangible and intangible assets of the Group as at 30 June 2002, adjusted as described below:

	<i>RMB'000</i>
Audited combined net assets of the Group as at 30 June 2002	172,229
Less: Intangible asset – software development cost	(23,691)
Deficits arising from revaluation of land included in property under development ( <i>Note 2</i> )	(1,648)
The Group's unaudited profit for the four-months ended 31 October 2002 ( <i>Note 3</i> )	1,520
Add: unaudited amortisation of software development cost for the four-month ended 31 October 2002	1,649
Adjusted net tangible assets	<u>150,059</u>
Adjusted net tangible asset value per Share ( <i>Note 1</i> )	<u>RMB42.87 cents</u>

#### *Notes:*

1. The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this section and on the basis of 350,000,000 Shares in issue but takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Existing Share Option Scheme, the New Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares.
2. Pursuant to the revaluation of the Group's properties (see Appendix II to the listing document of the Company in relation to the Introduction to be dated on or about 30 December 2002), revaluation deficits of approximately RMB1,648,000, representing the land cost included in property under development as at 30 June 2002, arose. Such a revaluation deficits will not be recorded in the Group's financial statements as the Group accounts for properties at cost less accumulated depreciation and impairment. The deficits arose due to the Valuation Report will not attribute any commercial value to the property because the transferability of the property, the realty title certificate of which is in the process of application, is unknown. The property will still incur an annual depreciation of approximately RMB34,000 from the year in which the land is put in use.



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## LETTER FROM THE BOARD

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3. For the four months ended 31 October 2002, the Group recorded a profit of approximately RMB1.5 million, representing a 50% decrease as compared to the first quarterly results ended 30 September 2002. The decrease in profit was due to the seasonal effect on revenue in the month of October.

### USE OF PROCEEDS FROM THE PLACEMENT OF SHARES IN FEBRUARY 2001

The Company raised approximately HK\$41.75 million of net proceeds through the placement of 70 million Shares at HK\$0.78 per Share in February 2001. Set out below is the intended use of proceeds as stated in the annual reports of the Company for the years ended 30 June 2001 and 2002:

- approximately HK\$19 million for the research and development of new control system technologies up to 31 December 2001;
- approximately HK\$7 million for cooperation and investment projects with large-scale customers in the PRC which fit into the Group's business strategy up to 30 June 2001;
- approximately HK\$7 million for marketing and promotional activities up to 30 June 2001;
- approximately HK\$6 million for the geographical expansion of the Group up to 31 December 2001;
- approximately HK\$2 million for establishing a training centre for the Group's customers up to 30 June 2001; and
- approximately HK\$1 million for developing e-automation.com.cn website up to 30 June 2001.

The Directors confirmed that the use of proceeds are in line with the overall business objectives and implementation plans as stated in the Prospectus. The Group's actual use of proceeds for the period since its listing in February 2001 and up to 30 June 2002 was as follows:

- approximately HK\$19 million for the research and development of new control system technologies;
- approximately HK\$15 million for cooperation and investment projects with large-scale customers in the PRC which fit into the Group's business strategy;
- approximately HK\$2 million for marketing and promotional activities;
- approximately HK\$1 million for the geographical expansion of the Group; and
- approximately HK\$400 thousand for establishing a training centre for the Group's customers.

The Group will use the remaining unutilised net proceeds of approximately HK\$3.75 million in accordance with its plans as set out in the Prospectus. The unutilised net proceeds is caused by reallocation of source of funds between the proceeds and the internal sources of funding in financing business plan. Due to the larger than expected scale of the cooperation and investment projects in PRC, the Group invested more than planned HK\$7 million for cooperation and investment projects in industrial automation

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## LETTER FROM THE BOARD

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system, especially in copper clad laminate industry. The investment would enable the Company to achieve its technology advancement in the design, development and quality of its products. The Directors expect that there will be a positive contribution to the future earnings of the Group from the financial year 2003.

### EXTRAORDINARY GENERAL MEETING

Set out on pages 48 to 52 of this circular is a notice convening the Extraordinary General Meeting to be held at Room 1810, 18/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Monday, 20 January 2003 at 11:00 a.m. or any adjournment thereof at which ordinary resolutions will be proposed to approve the following:

- (i) the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal;
- (ii) the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme; and
- (iii) the general mandates in relation to the issue and repurchase of the Shares.

At the Extraordinary General Meeting, a special resolution will also be proposed to consider and, if thought fit, to approve the New Articles of Association in substitution of the Existing Articles of Association.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Hong Kong Registrars Limited, the branch share registrar of the Company in Hong Kong (at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong) as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Extraordinary General Meeting. Completion of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting, or any adjourned meeting, should you so wish.

### RECOMMENDATION

The Board recommends the Shareholders to vote in favour of the ordinary resolutions to approve, amongst other things, the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal, the termination of the Existing Share Option Scheme, the adoption of the New Share Option Scheme and the granting of the general mandates to issue and repurchase Shares and the special resolution to approve the New Articles of Association in substitution of the Existing Articles of Association to be proposed at the Extraordinary General Meeting. Otto Link and Dr. Sze, being the controlling Shareholders (as defined in the GEM Listing Rules) holding or being deemed to hold approximately 46.2% of the existing issued share capital of the Company have undertaken to the Company that they will vote in favour of all the ordinary resolutions and the special resolution to be proposed at the Extraordinary General Meeting.

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## LETTER FROM THE BOARD

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### DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the listing document issued in connection with the Introduction will be separately sent to you and will also be available for inspection at the Extraordinary General Meeting for your information only.

Copy of the New Share Option Scheme and the New Articles of Association will be available for inspection at the office of Sit, Fung, Kwong & Shum at Suite 4428, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong during normal business hours up to and including the date of the Extraordinary General Meeting.

### ADDITIONAL INFORMATION

Your attention is drawn to the other parts of this circular.

By order of the Board  
**TECHWAYSON HOLDINGS LIMITED**  
**Sze Kwan**  
*Chairman*

*The following is a summary of the principal terms of the New Share Option Scheme proposed to be adopted at the Extraordinary General Meeting in replacement of the Existing Share Option Scheme.*

## SUMMARY OF TERMS OF NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to provide incentive and to recognise the contribution of the employees (whether full-time or part-time) and directors (whether executive, non-executive or independent non-executive) of the Company and/or its subsidiaries to the growth of the Group and to provide more flexibility to the Group in terms of remunerating the above persons. The following is a summary of the principal terms of the New Share Option Scheme proposed to be adopted at the Extraordinary General Meeting in replacement of the Existing Share Option Scheme:–

No options will be granted under the New Share Option Scheme unless the grant of such options is in compliance with all the requirements of the Listing Rules.

### **(a) Who may join**

The Board may, at its absolute discretion, offer full-time or part-time employees or any executive, non-executive and independent non-executive director of the Company and/or any of its subsidiaries (“Eligible Participant”), options to subscribe for such number of Shares as the Board may determine at a subscription price determined in accordance with paragraph (b) below, and subject to the other terms of the New Share Option Scheme summarised below.

An offer of grant of an option shall remain open for acceptance by the Eligible Participant concerned for such period as determined by the Board, which period shall not be more than 3 days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of the Extraordinary General Meeting or after the New Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant and the option shall be deemed to have been granted and to have taken effect with retrospective effect from the date on which the option is offered.

### **(b) Price of Shares**

The subscription price for Shares in respect of any particular option granted under the New Share Option Scheme shall be such price as the Board shall determine, provided that such price shall not be less than the highest of (i) the closing price per Share on the Stock Exchange as stated in the Stock Exchange’s daily quotation sheet on the date of offer of the option or, where paragraph (c)(v) or (d)(iii) below applies, the closing price per Share as stated in the Stock Exchange’s daily quotation sheet on the date of the Board meeting proposing such grant (the “Relevant Date”), which must be a business day; and (ii) the average closing prices per Share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of offer of the option or, where paragraph (c)(v) or (d)(iii) below applies, the average closing prices per Share as stated in the Stock Exchange’s daily quotation sheets for the five business days

immediately preceding the Relevant Date; and (iii) the nominal value of a Share. Without prejudice to the generality of the foregoing, the Board may grant options in respect of which the subscription price is fixed at different prices for different periods during the option period provided that the subscription price for Shares for each of the different periods shall not be less than the minimum subscription price determined in the above manner.

**(c) Maximum number of Shares**

- (i) Subject to the compliance of paragraphs (ii), (iii) and (iv) below, the overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes must not exceed 30 per cent. of the issued share capital of the Company from time to time. No options may be granted under the New Share Option Scheme if this will result in such limit being exceeded.
- (ii) The aggregate number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10 per cent. of the issued share capital of the Company as at the date of the Extraordinary General Meeting (“Scheme Mandate Limit”) (such 10 per cent. being equivalent to 35,000,000 Shares based on 350,000,000 Shares expected then to be in issue) unless shareholders’ approval has been obtained pursuant to paragraph (iii) or (iv) below.
- (iii) The Board may seek approval by shareholders in general meeting to renew the Scheme Mandate Limit. However, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company in these circumstances must not exceed 10 per cent. of the issued share capital of the Company at the date of approval of the renewed limit (the “renewed Scheme Mandate Limit”). Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or any other share option schemes of the Company and exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed.
- (iv) Subject to paragraph (i) above, the Board may seek separate shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit or the renewed Scheme Mandate Limit (as the case may be) provided that the options in excess of the Scheme Mandate Limit or the renewed Scheme Mandate Limit are granted only to participants specifically identified by the Company before such approval is sought and the Company must issue a circular to its shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose,

the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.

- (v) Unless approved by the shareholders in the manner set out in this paragraph (v), the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the New Share Option Scheme) in any 12-month period must not exceed 1 per cent. of the issued share capital of the Company. Where any further grant of options to an Eligible Participant would result in the total number of Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding options under the New Share Option Scheme) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the issued share capital of the Company as at the date of such further grant, such further grant must be subject to the approval of shareholders at general meeting with such Eligible Participant and his associates abstaining from voting. A circular must be sent to the shareholders disclosing the identity of the Eligible Participant, the number and the terms of the options previously granted and to be granted and containing the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules. The number and terms (including the subscription price for Shares) of the options to be granted to such Eligible Participant must be fixed before shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under paragraph (b) above as required under Note 1 to rule 17.03(9) of the Listing Rules.

**(d) Restrictions on grant of options**

- (i) No offer of the grant of an option shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision of the Directors, until such price sensitive information has been published in the newspapers and, in particular, no Eligible Participant shall be granted an option 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 paragraph 12 of the listing agreement made by the Company with the Stock Exchange) for the approval of the annual or interim results of the Company; and
  - (2) the deadline for the Company to publish announcement of its annual or interim results under the listing agreement made by the Company with the Stock Exchange,

and ended on the date of announcement for such results.

- (ii) Any grant of options to a connected person (as such term is defined in the Listing Rules) of the Company or any of its associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
  - (iii) Where options are proposed to be granted to a substantial shareholder (as such term is defined in the Listing Rules) or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the total number of 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 per cent. of the issued share capital of the Company 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, such grant of options must be subject to the approval of shareholders taken on a poll in general meeting. In addition, the date of the Board meeting for proposing such further grant should be taken as the date of grant of the purpose of calculating the subscription price under paragraph (b) above as required under note 1 to rule 17.03(9) of the Listing Rules. The connected person involved in such proposed grant and all other connected persons of the Company must abstain from voting in such general meeting (except that any connected person may vote against the proposed grant provided that his intention to do so has been stated in the shareholders' circular). A shareholders' circular must be prepared and sent by the Company containing (1) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the shareholders' meeting; (2) a recommendation from the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting; and (3) the information required under rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.
  - (iv) For the avoidance of doubt, nothing in paragraphs (ii) and (iii) above shall apply in relation to any grant of option to an Eligible Participant who is only a proposed Director or chief executive of the Company.
- (e) Time of and restrictions on exercise of option**

Any option may be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee provided that the period within which the Shares may be taken up under the option must not be more than 10 years from and including the date of grant of the option.

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 New Share Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the Board may determine in its absolute discretion.

**(f) Assignment**

Options granted under the New Share Option Scheme must be personal to the grantee, which may not be sold, transferred, charged, mortgaged, encumbered, created any interest or assigned by the grantee to or in favour of any third party over or in relation to any option.

**(g) Rights on cessation of employment by death**

If the grantee of an option ceases to be an Eligible Participant by reason of death and none of the events set out in paragraph (h) below which would be a ground for the termination of his/her employment or appointment arises, his/her personal representative may exercise the option up to the entitlement of the grantee as at the date of death (to the extent not already exercised) within a period of twelve months from the date of death (or such longer period as the Board may determine), failing which the option will lapse.

**(h) Rights on cessation of employment by dismissal**

If the grantee of an option ceases to be an Eligible Participant by reason of the termination of his/her employment or appointment on any one or more of the grounds that he/she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his/her debts or has become insolvent 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 or on any other ground on which an employer would be entitled to terminate his/her employment or appointment at common law or pursuant to any applicable laws or under the service contract or letter of appointment of the grantee with the Company or the relevant subsidiary, his/her option (to the extent not already exercised) will lapse and not be exercisable on the date of termination of his/her employment or appointment. A resolution of the board of directors of the Company or the relevant subsidiary to the effect that the employment or appointment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (h) shall be conclusive.

**(i) Rights on cessation of employment by resignation**

If the grantee of an option ceases to be an Eligible Participant by reason of his/her resignation, his/her option (to the extent not already exercised) will lapse and not be exercisable with effect from the date on which his/her resignation is received by the Company or its subsidiaries (as the case may be).



**(j) Right on cessation of employment for other reasons**

If the grantee of an option ceases to be an Eligible Participant for any other reason, the grantee may exercise the option up to his/her entitlement at the date of cessation (to the extent not already exercised) within three months following the date of such cessation, which date shall be the last actual appointment day or working day with the Company or the relevant subsidiary, whether salary or compensation is paid in lieu of notice or not, failing which the option will lapse.

**(k) Effects of alterations to share capital**

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of the share capital of the Company in accordance with legal requirements and the requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which the Company and/or any of its subsidiaries is a party), the number or nominal amount of Shares subject to the option granted pursuant to the New Share Option Scheme so far as unexercised and/or the subscription price and/or the method of exercise of the options or any combination thereof, shall be adjusted in such manner as the auditors for the time being of the Company or an independent financial adviser to be appointed by the Company for such purpose shall certify in writing to the Board to be in their opinion fair and reasonable provided always that no such alterations shall be made the effect of which would be to enable any Share to be issued at less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company to which the grantee was entitled before such alteration; and further provided that the aggregate subscription price to be paid by a grantee after such alterations on a full exercise of the options shall remain as nearly as possible the same as that he/she has to pay before such alterations.

**(l) Rights on a general offer**

If a general offer (whether by 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), the terms of which have been approved by any relevant regulatory authority and are in accordance with the applicable laws and regulatory requirements and becomes, or is declared unconditional prior to the expiry of the option, the Company shall within 7 days of such offer becoming or being declared unconditional give notice thereof to the grantee, whereupon the grantee (or his/her personal representatives) shall be entitled to exercise the option in full or in part (to the extent not already exercised) at any time within 14 days after the date of such notice and, to the extent any of the options have not been so exercised, such option shall upon the expiry of such period lapse.

**(m) Rights on winding up**

In the event that a notice is given by the Company to its shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the grantee (or his/her

personal representatives), who may, by notice in writing to the Company (such notice to be received by the Company not later than two business days prior to the proposed general meeting) accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, exercise the option (to the extent not already exercised) 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 business day immediately prior to the date of the proposed general meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise, credited as fully paid up and register the grantee as holder thereof. Any options shall, to the extent they have not been so exercised, lapse and determine.

**(n) Rights on compromise or arrangement**

If a compromise or scheme of arrangement between the Company and its members or creditors is proposed in connection with the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees (or to their personal representatives) on the same day as it gives notice to the members or creditors of the Company summoning a meeting to consider such a compromise or scheme of arrangement, and the grantee (or his/her personal representative) may, by notice in writing to the Company accompanied by the remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two business days prior to the proposed meeting), exercise his/her option (to the extent not already exercised) 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 business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the relevant grantee which falls to be issued on such exercise, credited as fully paid and register the grantee as holder thereof. Any options shall, to the extent they have not been so exercised, lapse and determine.

**(o) Ranking of Shares**

The Shares to be issued and allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which Shares are allotted to the grantee (or his or her personal representative(s)) (the "Allotment Date") and accordingly will entitle the holders to participate in all dividends or other distributions declared paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommend or resolved to be paid or made if the record date therefor is before the Allotment Date.

Unless the context otherwise requires, references to "Shares" in the New Share Option Scheme include references to shares in the share capital of the Company of any such nominal amount as shall result from a subdivision or a consolidation, reclassification or reconstruction of the share capital of the Company from time to time forming part of the ordinary equity share capital.

**(p) Lapse of option**

The right to exercise an option shall lapse automatically (to the extent not already exercised) immediately upon the earliest of:–

- (i) the expiry of the period referred to in paragraph (e) above;
- (ii) the expiry of the periods referred to paragraphs (g), (j), (l), (m) and (n) above;
- (iii) subject to paragraph (m) above, the date of the commencement of the winding-up of the Company;
- (iv) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her employment or appointment referred to in paragraph (h) above;
- (v) the date on which the resignation of the grantee is received by the Company or any of its subsidiaries (as the case may be); or
- (vi) the date on which the grantee sells, transfers, charges, mortgages, encumbers, assigns or creates any interest in favour of any third party over or in relation to any option in breach of the New Share Option Scheme.

**(q) Period of the New Share Option Scheme**

Subject to earlier termination by shareholders' resolution in general meeting, the New Share Option Scheme shall be valid and effective for a period of ten years commencing from and including the date of the Extraordinary General Meeting, after which period no further options will be offered or granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the New Share Option Scheme.

**(r) Alteration to the New Share Option Scheme and the terms of options granted under the New Share Option Scheme**

All provisions of the New Share Option Scheme may subject to the Listing Rules be altered from time to time in any respect by a resolution of the Board save that the following alterations shall require the prior sanction of an ordinary resolution of the Company in general meeting (with all grantees, prospective grantee and their associates abstaining from voting and the votes taken by poll):–

- (i) alterations of the provisions relating to the matters set out in rule 17.03 of the Listing Rules to the advantage of the Eligible Participants;

- (ii) alterations of the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of options granted under the New Share Option Scheme (except where the alterations take effect automatically under the existing terms of the New Share Option Scheme) and
- (iii) any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme.

No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares.

Where there is any proposed change to the terms of any options granted to a connected person of the Company who is also a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director or any of their respective associates (except where the change takes effect automatically under the existing terms of the New Share Option Scheme), then the proposed change must be subject to the approval of the shareholders taken on poll at general meeting and to such other requirements of the Listing Rules. The connected person involved in such proposed change and all other connected persons of the Company must abstain from voting in such general meeting (except that any connected person may vote against the proposed change provided that his intention to do so has been stated in the circular). A shareholders' circular must be prepared and sent by the Company explaining the proposed change and disclosing the original terms of the options, and containing a recommendation from the independent non-executive Directors (excluding an independent non-executive Director who is the holder of the options which terms are to be changed) on whether or not to vote in favour of the proposed change and containing such other information required under the Listing Rules.

**(s) Administration of the New Share Option Scheme**

The New Share Option Scheme shall be administered by the Board.

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine in its absolute discretion, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the New Share Option Scheme.

**(t) Termination of the New Share Option Scheme**

The Company by ordinary resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further option shall be offered but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any options granted prior thereto but not yet exercised at the time of termination. Options (to the

extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

**(u) Cancellation of Options**

Any cancellation of options granted but not exercised shall be approved by the Board. Cancelled options may be re-issued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the New Share Option Scheme and the requirements of the Listing Rules and provided further that new options may be issued to the same grantee 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.

Any reference to the “Board” above shall include a duly authorised committee of the Board.

In connection with the Introduction and to make other immaterial changes in the Existing Articles of Association, the Board proposes to seek the approval of the Shareholders for the adoption of the New Articles of Association at the Extraordinary General Meeting, the provisions of which will comply with the requirements of the Listing Rules. The provisions of the New Articles of Association are in all material respects identical to the Existing Articles of Association.

The differences between the New Articles of Association and the Existing Articles of Association include the following and certain other immaterial changes:

- (1) the New Articles of Association clarify that any reference to “writing” therein should include representation taking the form of electronic display, any reference to a document being executed should include execution under hand, under seal, by electronic signature or by any other method, and any reference to a notice or document should include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not. No similar provision is contained in the Existing Articles of Association;
- (2) the New Articles of Association change the maximum amount chargeable to any persons who are not Shareholders for inspection of the register of members of the Company at the office of the branch share registrar of the Company to HK\$1.00, while the maximum amount chargeable under the Existing Articles of Association is HK\$10.00.
- (3) the New Articles of Association expressly include any form prescribed by the Designated Stock Exchange (as defined in the New Articles of Association) as an acceptable form of instrument of transfer of the Shares. No similar provision is contained in the Existing Articles of Association;
- (4) the New Articles of Association permit the notice of closure of register of members to be given by any means as may be accepted by the Designated Stock Exchange (which would include electronic means). No similar provision is contained in the Existing Articles of Association;
- (5) the New Articles of Association exclude the granting of any mandate or authority to the Directors to repurchase securities of the Company at an annual general meeting as special business. Please also refer to paragraph (i) (Notices of meetings and business to be conducted thereat) of the section headed “The New Articles of Association” in this Appendix II. The Existing Articles of Association do not contain such exclusion;
- (6) the New Articles of Association add an additional requirement that any notice given by a Shareholder of his intention to propose a person for election as a Director at any general meeting must not be given more than 14 days before the date of the general meeting;

- (7) the New Articles of Association limit the power given thereunder to the Directors on destruction of documents to be exercised only where the destruction of document is in good faith and there is no express notice to the Company and its share registrar that the preservation of such document was relevant to a claim. No similar qualification is contained in the Existing Articles of Association;
- (8) in compliance with the Listing Rules, a new provision has been included in the New Articles of Association to permit the Company to send a summary of financial statement derived from the Company's annual financial statements and the directors' report thereon instead of a complete copy of the same to any person entitled to receive notice of annual general meeting who has sent or is treated by section 141CB of the Companies Ordinance (Chapter 32, Laws of Hong Kong) to have sent a notice of intent to the Company that he agrees to be sent a copy of the summary financial statement as aforesaid, provided that any person entitled to receive the annual financial statements of the Company and the directors' report thereon may demand the Company in writing for a complete copy of the same. The Company has to comply with all applicable law, rules and regulations, including the Listing Rules, and the provisions of the Companies Ordinance (Chapter 32, Laws of Hong Kong) in relation to summary financial reports and the Companies (Summary Financial Reports of Listed Companies) Regulation (Chapter 32M, Laws of Hong Kong) as if the Company were a company incorporated in Hong Kong. Please also refer to paragraph (h) (Accounts and audit) of the section headed "The New Articles of Association" in this Appendix II. No similar provision is contained in the Existing Articles of Association;
- (9) a new provision has been included in the New Articles of Association to permit the Company to send the annual financial statements of the Company and directors' report thereon or a summary financial report to any person who is entitled to receive the same by publishing copies of such documents on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication) in accordance with all applicable statutes, rules and regulations, including the Listing Rules provided that such person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents. No similar provision is contained in the Existing Articles of Association;
- (10) the New Articles of Association permit any notice or documents from the Company to Shareholders to be given in the form of electronic transmission or communication and served by transmitting it to the electronic number, address or website supplied by Shareholders to the Company for giving notice to him. Notice may also be served by placing it on the Company's website if permitted by applicable law. No similar provision is contained in the Existing Articles of Association; and
- (11) the New Articles of Association permit any notice or other document to be given to a Shareholder either in English or Chinese, subject to due compliance with all applicable statutes, rules and regulations. No similar provision is contained in the Existing Articles of Association.

**THE NEW ARTICLES OF ASSOCIATION**

The New Articles of Association are proposed to be adopted by the Company at the Extraordinary General Meeting in substitution for the Existing Articles of Association. The following is a summary of the principal terms of the New Articles of Association:

**(a) Directors***(i) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (“Companies Law”) and the memorandum of association of the Company (“Memorandum”) and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.



(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether

directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of any Designated Stock Exchange (as defined in the Articles)) is beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest is derived); or
- (ff) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

*(vi) Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation provided that no Director holding office as chairman and/or managing director shall be subject to retirement by rotation, or be taken into account in determining the number of Directors to retire. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board whereupon the Board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(viii) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(ix) Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

*(x) Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or share premium account or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or

members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of incorporation (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of incorporation, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), and the provisions of the Companies Ordinance (Chapter 32, Laws of Hong Kong) in relation to summary



financial reports and the Companies (Summary Financial Reports of Listed Companies) Regulation (Chapter 32M, Laws of Hong Kong) as if the Company were a company incorporated in Hong Kong, the Company may send to such person who has sent or is treated by section 141CB of the Companies Ordinance (Chapter 32, Laws of Hong Kong) to have sent a notice of intent to the Company that he agrees to be sent a copy of the summary financial statement as aforesaid, a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place in the Cayman Islands at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for

distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

*This appendix serves as an explanatory statement, as required by the Listing Rules, to provide you with requisite information for your consideration of granting the Directors a general mandate to repurchase the Shares (“Repurchase Mandate”).*

### **EXERCISE OF THE REPURCHASE MANDATE**

On the basis of 350,000,000 Shares in issue as at the Latest Practicable Date and assuming the number of Shares in issue remains unchanged up to the date of the Extraordinary General Meeting and taking no account of the Shares which may be issued under the exercise of options which may be granted under any share option scheme, the Directors would be authorised under the Repurchase Mandate to repurchase up to 35,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

The Repurchase Mandate shall remain in full force during the period up to :

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by an ordinary resolution of the Shareholders of the Company in general meeting,

whichever is the earliest.

### **REASONS FOR THE REPURCHASES**

The Directors believe that it is in the best interest of the Company and its Shareholders for the Directors to have a general authority from Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when and to the extent that the Directors believe that such a repurchase will benefit the Company and its Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share or both.

#### **Funding of repurchases**

Repurchases pursuant to the Repurchase Mandate would be financed out of funds of the Company legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws and regulations of the Cayman Islands. The Company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.



There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its latest published audited accounts) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an 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.

**Disclosure of interests**

None of the Directors and, to the best of their knowledge, having made all reasonable enquires, none of their respective associates (as defined in the Listing Rules), have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, if the Repurchase Mandate is exercised.

**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, the memorandum and articles of association of the Company and the applicable laws and regulations from time to time in force in the Cayman Islands.

**Takeovers Code consequences**

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 purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's 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 other consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Repurchase Mandate made after the listing of the Shares on the Main Board of the Stock Exchange.

The existing shareholdings of all substantial shareholders of the Company as at the Latest Practicable Date were and their respective shareholdings upon full exercise of the Repurchase Mandate will be as follows:

<b>Name of Substantial Shareholder</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholdings as at the Latest Practicable Date (%)</b>	<b>Approximate percentage of shareholdings upon full exercise of the Repurchase Mandate (%)</b>
Otto Link	161,700,000	46.20%	51.33%
Dr. Sze	161,700,000	46.20%	51.33%
Goldwiz	61,824,000	17.66%	19.63%
Goldwiz Holdings	61,824,000	17.66%	19.63%
Mr. T. Siu	38,976,000	11.14%	12.37%

Thus, Otto Link and Dr. Sze may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code if the Repurchase Mandate is exercised in full. However, the Company has no present intention to exercise the Repurchase Mandate to such extent as may trigger such a mandatory offer obligation.

### **Public Float**

The Company may not comply with the minimum public float requirement as stated in rule 8.08(1) of the Listing Rules if the Repurchase Mandate is exercised in full. However, the Company has no present intention to exercise the Repurchase Mandate to such extent as will result in a non-compliance of the minimum public float requirement.

### **Shares purchased by the Company**

The Company has not purchased any Shares (whether on GEM or otherwise) in the six months preceding the Latest Practicable Date.

**Share prices**

The following table is a summary of the monthly highest and lowest traded prices on GEM in the each of the previous twelve months preceding the Latest Practicable Date.

		<b>Highest Traded Price</b>	<b>Lowest Traded Price</b>
		<i>HK\$</i>	<i>HK\$</i>
<b>2001</b>	December	1.05	0.87
<b>2002</b>	January	1.06	0.90
	February	0.98	0.85
	March	0.95	0.86
	April	0.91	0.86
	May	0.85	0.72
	June	0.86	0.70
	July	0.85	0.70
	August	0.75	0.65
	September	0.70	0.65
	October	0.75	0.50
	November	0.80	0.60
	December*	0.81	0.69

\* *up to the Latest Practicable Date.*



# Techwayson Holdings Limited

## 德維森控股有限公司\*

*(incorporated in the Cayman Islands with limited liability)*

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Techwayson Holdings Limited (the “Company”) will be held at Room 1810, 18/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Monday, 20 January 2003 at 11:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications as ordinary resolutions and/or special resolution (as the case may be):

### ORDINARY RESOLUTIONS

**1. THAT:**

- (A) “Conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing of, and permission to deal in, the shares of HK\$0.10 each in the share capital of the Company (“Shares”) in issue and any Shares which may fall to be issued pursuant to the exercise of options granted under the Existing Scheme (as defined in Ordinary Resolution No. 2(A) set out in the notice convening this meeting) and the New Scheme (as defined in Ordinary Resolution No. 2(B) set out in the notice convening this meeting) on the Main Board of the Stock Exchange and the publication of a notice in connection with the proposed withdrawal of the listing of the Shares on the Growth Enterprise Market of the Stock Exchange (“GEM”) (the “Proposed Withdrawal”) not less than such period as the shareholders of the Company shall approve under Ordinary Resolution No. 1(B) set out in the notice convening this meeting before the day on which the Proposed Withdrawal is effective, the listing of the Shares on the GEM shall cease with effect from such date and time as the directors of the Company may designate and THAT any one director of the Company or the company secretary of the Company be and is hereby authorised generally to do all matters for and on behalf of the Company as he may deem necessary, desirable or expedient to effect and implement the foregoing.”
- (B) “The notice period required under Rule 9.19(3) of the Rules Governing the Listing of Securities on GEM operated by the Stock Exchange in connection with the Proposed Withdrawal be reduced to a minimum of five clear days on which the Stock Exchange is open for the business of dealings in securities from the date on which the shareholders of the Company shall have approved the Proposed Withdrawal.”

\* For identification only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### 2. THAT:

- (A) “The existing share option scheme of the Company for the employees and executive directors of the Company and its subsidiaries adopted on 22 January 2001 (the “Existing Scheme”) be terminated with effect from the New Scheme (as defined in Ordinary Resolution No. 2(B) set out in the notice convening this meeting) becoming effective and unconditional.”
- (B) “Conditional upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of the options granted under the Existing Scheme and the share option scheme proposed to be adopted by the Company (the “New Scheme”) (a copy of which has been produced to the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) on the Main Board of the Stock Exchange, the New Scheme be and is hereby approved and adopted and that the directors of the Company be and are hereby authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the New Scheme and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same.”

### 3. THAT:

- (A) “Conditional upon the listing of the Shares of the Company on the Main Board of the Stock Exchange, the general mandate granted to the directors of the Company to exercise the power of the Company to allot Shares pursuant to ordinary resolution no.1 passed by the shareholders of the Company at the annual general meeting held on 25 October 2002 be revoked (but without prejudice to any exercise of such mandate prior to the date on which this Resolution becomes effective);
- (B) subject to Ordinary Resolution No. 3(A) becoming effective and pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, the exercise by the directors of the Company during the Relevant Period (as defined in Ordinary Resolution No. 3(E) set out in the notice convening this meeting) of all the powers of the Company to allot, issue and deal with unissued Shares and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (C) the approval in Ordinary Resolution No. 3(B) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which might require the exercise of such power at any time during or after the end of the Relevant Period;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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(D) the aggregate nominal value of the share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in Ordinary Resolution No. 3(B), otherwise than pursuant to (i) a Rights Issue (as defined in Ordinary Resolution No. 3(E) set out in the notice convening this meeting), or (ii) an issue of Shares upon the exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares, or (iii) an issue of Shares upon the exercise of the subscription rights attaching to any warrants which may be issued by the Company from time to time, or (iv) an issue of Shares in lieu of the whole or part of the dividend on Shares in accordance with the articles of association of the Company or (v) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20 per cent. of the total nominal value of the share capital of the Company in issue at the date of this Resolution and the said approval shall be limited accordingly; and

(E) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking, varying or revising the authority given to the directors of the Company by this Resolution; and

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### 4. THAT:–

- (A) “Conditional upon the listing of the Shares of the Company on the Main Board of the Stock Exchange, the general mandate granted to the directors of the Company to exercise the power of the Company to repurchase Shares pursuant to ordinary resolution no.2 passed by the shareholders of the Company at the annual general meeting held on 25 October 2002 be revoked (but without prejudice to any exercise of such mandate prior to the date on which this Resolution becomes effective);
- (B) an explanatory statement dated 27 December 2002 relating to the authorisation of the Company to repurchase Shares as mentioned below was noted, and subject to Ordinary Resolution No. 4(A) becoming effective, the exercise by the directors of the Company during the Relevant Period (as defined in Ordinary Resolution No. 4(D) set out in the notice convening this meeting) of all powers of the Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (C) the aggregate nominal value of securities of the Company repurchased by the Company pursuant to the approval granted in Ordinary Resolution No. 4(B) during the Relevant Period shall not exceed 10 per cent. of the total nominal value of the share capital of the Company in issue at the date of this Resolution and the authority granted pursuant to Ordinary Resolution No. 4(B) shall be limited accordingly; and
- (D) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking, varying or revising the authority given to the directors of the Company by this Resolution.”

## NOTICE OF EXTRAORDINARY GENERAL MEETING

5. “**THAT** conditional upon the listing of the Shares of the Company on the Main Board of the Stock Exchange, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with unissued Shares pursuant to Ordinary Resolution No. 3 above be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 4 above, provided that such extended amount shall not exceed 10 per cent. of the aggregate of the total nominal value of the share capital of the Company in issue at the date of this Resolution.”

### SPECIAL RESOLUTION

6. “**THAT** conditional upon the listing of Shares on the Main Board of the Stock Exchange, the articles of association contained in the document marked “B” produced to the meeting and initialled by the chairman of the meeting for the purpose of identification, be approved and adopted as the new articles of association of the Company in substitution for and to the exclusion of all the existing articles of association of the Company.”

By order of the Board  
**TECHWAYSON HOLDINGS LIMITED**  
**Sze Kwan**  
*Chairman*

Hong Kong, 27 December 2002

*Head office and principal place of business in Hong Kong:*

Room 1810, 18th Floor  
Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he holds two or more shares, more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at Hong Kong Registrars Limited, the branch share registrar of the Company in Hong Kong, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. In the case of joint registered holders of any Shares, any one of them may vote at the meeting, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto; but if more than one of such joint registered holders be present at the meeting, either personally or by proxy, that one of them so present whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holders.