

FURTHER INFORMATION ABOUT THE COMPANY**Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the name of Enric Energy Equipment Holdings Limited under the Companies Law as an exempted company with limited liability on 28 September 2004. By written resolutions of the Shareholder dated 10 December 2004, the Company changed its name to Enric Energy Equipment Investment Limited, which name was subsequently changed to Enric Energy Equipment Holdings Limited 安瑞科能源裝備控股有限公司 on the same date. The Company has established a place of business in Hong Kong at Rooms 3101-03, 31st Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong and was registered on 25 October 2004 as an oversea company in Hong Kong under Part XI of the Companies Ordinance, with LAM Hung, Elaine of Rooms 3101-03, 31st Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong appointed as the agent of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises the Memorandum and the Articles. A summary of certain relevant parts of the Company's constitution and relevant aspects of the Companies Law is set out in Appendix VI to this prospectus.

Changes in share capital of the Company

As at the date of incorporation of the Company, its authorised share capital was HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. On 12 October 2004, one subscriber's share of HK\$0.01 in the Company was allotted and issued for cash at par to the initial subscriber and was transferred to XGII.

On 26 September 2005, the authorised share capital of the Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of an additional 9,961,000,000 Shares.

On 26 September 2005, pursuant to the deed for sale and purchase of the entire share capital of EIGL referred to in the section headed "Summary of material contracts" in this Appendix, XGII and Symbiospartners transferred 90 and 10 shares respectively in EIGL to the Company in consideration for which the Company allotted and issued 791 and 88 Shares, credited as fully paid, to XGII and Symbiospartners respectively. Immediately following the above transfer, allotment and issue, the Company became owned as to 90% by XGII and 10% by Symbiospartners.

Upon the Conversion, all Redeemable Convertible Bonds (if not already so converted) will be mandatorily converted into Shares and the Company will allot and issue such number of Shares which represents 12% of the enlarged issued shares capital of the Company to Investec if the Listing Committee grants the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus and the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of such agreement or otherwise.

Investec is expected to be allotted and issued 51,840,000 Shares on the Listing Date. Otherwise, 120 Shares will be allotted and issued to Investec if the Underwriting Agreement is terminated by the Lead Manager (for and on behalf of the underwriters) in accordance with the terms of such agreement or otherwise.

Upon the Placing becoming unconditional, the Company will allot and issue 260,159,120 Shares, as to 234,143,208 Shares to XGII and 26,015,912 Shares to Symbiospartners (as nominated by XGII) respectively, all credited as fully paid, on capitalisation on the cash advances in the sum of RMB45,000,000 due and owing by the Company to XGII pursuant to a capitalisation agreement dated 26 September 2005 entered into between the Company and XGII.

Assuming that the Placing becomes unconditional and the issue of Shares under the Capitalisation Issue, the Conversion and the Placing are made, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of the Company will be HK\$4,320,000 divided into 432,000,000 Shares fully paid or credited as fully paid, with 9,568,000,000 Shares remaining unissued. Other than the Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme, pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the general mandate to issue Shares as referred to in the section headed "Written resolutions of the Shareholder(s) passed on 26 September 2005 and 7 October 2005 respectively" in this Appendix, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

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

Written resolutions of the Shareholder(s) passed on 26 September 2005 and 7 October 2005 respectively

On 26 September 2005 and 7 October 2005, written resolutions of the Shareholder(s) were passed as ordinary resolutions pursuant to which, among other things:

- (1) the authorised share capital of the Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of an additional 9,961,000,000 Shares;
- (2) the Directors were authorised to allot and issue, credited as fully paid, 791 and 88 Shares to XGII and Symbiospartners respectively as consideration for the acquisition by the Company of 90% of the issued share capital of EIGL from XGII and 10% of the issued share capital of EIGL from Symbiospartners;
- (3) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this

prospectus (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Plan, the Share Option Scheme and the Over-allotment Option); and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Lead Manager, on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

- (a) the Placing and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Placing Shares and any Shares which may be required to be issued if the Over-allotment Option is exercised;
 - (b) the Directors were authorised to allot and issue, credited as fully paid, 51,840,000 Shares to Investec, pursuant to the exercise of conversion rights of the Redeemable Convertible Bonds;
 - (c) the Directors were authorised to allot and issue 260,159,120 Shares, as to 234,143,208 Shares to XGII and 26,015,912 Shares to Symbiospartners (as nominated by XGII) respectively, all credited as fully paid, on capitalisation of RMB45,000,000 due and owing by the Company to XGII;
 - (d) the rules of the Pre-IPO Share Option Plan were approved and the Directors were authorised to grant options to subscribe for Shares thereunder as set out in the section headed “Share option schemes – Outstanding options granted under the Pre-IPO Share Option Plan” in this Appendix and to allot and issue Shares pursuant to the exercise of subscription rights under any options which may be granted under the Pre-IPO Share Option Plan and to take all such steps as they consider necessary, desirable or expedient to implement the Pre-IPO Share Option Plan; and
 - (e) the rules of the Share Option Scheme were approved and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot and issue the Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary, desirable or expedient to implement the Share Option Scheme.
- (4) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Plan, the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to the participants thereunder or any other person of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the

whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, such mandate to remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the Articles to be held; and
 - (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (5) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchanges on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total nominal value of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, such mandate to remain in effect until whichever is the earliest of:
- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the Articles or to be held; and
 - (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (6) the general unconditional mandate mentioned in paragraph (4) above was 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 pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (5) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue, the Conversion and the Placing.

On 26 September 2005, a written resolution of the sole Shareholder was passed as special resolution under which the Company approved and adopted the new Articles.

Corporate reorganisation

The companies comprising the Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing. As a result, the Company became the holding company of the Group. The following steps are the major steps of the Reorganisation and the introduction of an Institutional Investor, Symbiospartners, into the Group:

- (1) Pursuant to an equity transfer agreement dated 10 June 2004 entered into between Enric Compressor as transferor and Langfang Guofu as transferee, Enric Compressor transferred all its 12.2727% equity interests in XGCL to Langfang Guofu at a consideration of RMB26,190,000.
- (2) On 8 July 2004, Enric Compressor was converted from a Sino-foreign equity joint venture enterprise to a wholly foreign owned enterprise in the PRC by way of XGII and Langfang Guofu transferring their respective 47% and 53% equity interests in Enric Compressor to Anhui BVI at an aggregate consideration of HK\$21,320,000 pursuant to an equity transfer agreement dated 21 June 2004 entered into among XGII and Langfang Guofu as transferors and Anhui BVI as transferee.
- (3) On 3 September 2004, Enric Gas Equipment was converted from a Sino-foreign equity joint venture enterprise to a wholly foreign owned enterprise in the PRC by way of Xinao Shijiazhuang transferring its entire 70% equity interest in Enric Gas Equipment to Shijiazhuang BVI at a consideration of US\$1,715,000 pursuant to an equity transfer agreement dated 21 June 2004 entered into between Xinao Shijiazhuang as transferor and Shijiazhuang BVI as transferee.
- (4) On 14 September 2004, Langfang BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, was incorporated in BVI with limited liability whereby one share in Langfang BVI was allotted and issued to EIGL on 15 November 2004.
- (5) On 28 September 2004, the Company with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each, was incorporated in the Cayman Islands as an exempted company with limited liability whereby one subscriber's share in the Company was allotted and issued to the initial subscriber and was transferred to XGII on 12 October 2004.
- (6) On 28 December 2004, Enric Integration with a registered capital of HK\$10,000,000 was established in PRC as a wholly foreign owned enterprise with limited liability, and was wholly owned by Langfang BVI.
- (7) On 21 January 2005, a share subscription agreement was entered into between Symbiospartners as subscriber and EIGL and XGII as warrantor pursuant to which 10 shares in EIGL were allotted and issued to Symbiospartners on 31 January 2005, representing 10% of the enlarged issued share capital of EIGL at a total subscription price of US\$1,900,000.

- (8) On 26 September 2005, a deed for sale and purchase of the entire share capital of EIGL was entered into between XGII and Symbiospartners as vendors, the Company as purchaser and Mr. Wang and Ms. Zhao as indemnifiers, pursuant to which the Company acquired 90% and 10% of the issued share capital of EIGL from XGII and Symbiospartners respectively in consideration of the allotment and issue of 791 and 88 Shares credited as fully paid to XGII and Symbiospartners respectively.

Changes in the share capital of subsidiaries of the Company

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

The following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

- (1) On 14 September 2004, Langfang BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, was incorporated in BVI with limited liability whereby 1 share in Langfang BVI was allotted and issued to EIGL on 15 November 2004.
- (2) On 28 December 2004, Enric Integration with a registered capital of HK\$10,000,000 was established in the PRC as a wholly foreign owned enterprise with limited liability, and was wholly owned by Langfang BVI.
- (3) On 22 January 2005, 89 shares in EIGL of US\$1.00 each was allotted and issued to XGII for cash at par.
- (4) On 31 January 2005, 10 shares in EIGL of US\$1.00 each were allotted and issued to Symbiospartners representing 10% of the enlarged issued share capital of EIGL at a total subscription price of US\$1,900,000 pursuant to a share subscription agreement dated 21 January 2005 entered into between Symbiospartners, EIGL and XGII.

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

Repurchase by the Company of its own securities

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

(1) Regulations of the GEM Listing Rules

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

(a) *Shareholders' approval*

All repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolutions of the Shareholder(s) passed on 26 September 2005 and 7 October 2005 respectively, a general unconditional mandate (the "Share Repurchase Mandate") was given to the Directors authorising any repurchases by the Company of Shares on the Stock Exchange or on any other stock exchanges on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange of up to 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, at any time until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the Articles to be held or the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate, whichever occurs first.

(b) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

(c) *Trading restrictions*

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. In addition, a company shall not repurchase its shares on the Stock Exchange if the purchase price is higher than 5% or more than the average closing market

price for the five preceding trading days on which the shares in the company were traded on the Stock Exchange. A company is also prohibited from making securities repurchases on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in public hands would fall below the relevant prescribed minimum percentage as required by the Stock Exchange, which is currently 25% in the case of the Company. A company shall procure that any broker appointed by it to effect the purchase of securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request.

(d) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for the company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the Company may not purchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the GEM Listing Rules.

(f) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange in the prescribed form not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Business Day following any day on which the company makes a repurchase of shares. In addition, a company's annual report and accounts are required to disclose details regarding securities repurchases made during the financial year under review, including the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the aggregate prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases.

(g) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined under the GEM Listing Rules) and a connected person shall not knowingly sell securities in the company to the company on the Stock Exchange.

(2) Exercise of the Share Repurchase Mandate

Exercise in full of the Share Repurchase Mandate, on the basis of 432,000,000 Shares in issue immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme, could accordingly result in up to 43,200,000 Shares being repurchased by the Company during the period until the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any other applicable laws of the Cayman Islands to be held; or (c) the revocation, variation or renewal of the share repurchase mandate by ordinary resolution of the Shareholders in general meeting.

(3) Reasons for repurchases

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(4) Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands. The Company may not repurchase 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.

(5) General

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Share Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

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

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, has any present intention, if the Share Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or any of its subsidiaries.

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

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, the Directors are not aware of any other consequence under the Code as a result of a repurchase of Shares made immediately after the Listing.

Particulars of subsidiaries of the Company incorporated in the PRC

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|-----|------------------------|---|--|
| (1) | Name | : | Enric Gas Equipment |
| | Nature | : | Wholly foreign owned enterprise |
| | Term | : | 50 years (from 30 September 2003 to 30 September 2053) |
| | Registered capital | : | RMB20,335,000 |
| | Beneficial shareholder | : | Shijiazhuang BVI |
| | Number of directors | : | 5 |
| (2) | Name | : | Enric Compressor |
| | Nature | : | Wholly foreign owned enterprise |
| | Term | : | 50 years (from 14 March 2002 to 14 March 2052) |
| | Registered capital | : | HK\$21,320,000 |
| | Beneficial shareholder | : | Anhui BVI |
| | Number of directors | : | 5 |
| (3) | Name | : | Enric Integration |
| | Nature | : | Wholly foreign owned enterprise |
| | Term | : | 30 years (from 28 December 2004 to 27 December 2034) |
| | Registered capital | : | HK\$10,000,000 |
| | Beneficial shareholder | : | Langfang BVI |
| | Number of directors | : | 3 |

FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP**Summary of material contracts**

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

- (1) an agreement dated 20 December 2003 entered into between Shijiazhuang BVI and Xinao Shijiazhuang whereby it was agreed, amongst other things, that the capital contribution by Xinao Shijiazhuang into Enric Gas Equipment was to be delayed until Xinao Shijiazhuang had obtained the relevant approval(s) for the design, manufacture and sale of assets to be injected into Enric Gas Equipment.
- (2) an agreement dated 31 March 2004 entered into among Shijiazhuang BVI, Enric Gas Equipment and Xinao Shijiazhuang whereby, amongst other things, Xinao Shijiazhuang and Shijiazhuang BVI agreed a list of assets and liabilities to be injected by Xinao Shijiazhuang into Enric Gas Equipment in relation to the establishment of Enric Gas Equipment by Xinao Shijiazhuang and Shijiazhuang BVI.
- (3) an equity transfer agreement dated 10 June 2004 entered into between Enric Compressor as transferor and Langfang Guofu as transferee whereby Enric Compressor agreed to transfer all its 12.2727% equity interests in XGCL to Langfang Guofu at a consideration of RMB26,190,000.
- (4) an equity transfer agreement dated 21 June 2004 entered into between Xinao Shijiazhuang as transferor and Shijiazhuang BVI as transferee whereby Xinao Shijiazhuang agreed to transfer all its 70% equity interests in Enric Gas Equipment to Shijiazhuang BVI at a consideration of US\$1,715,000.
- (5) an equity transfer agreement dated 21 June 2004 entered into among XGII and Langfang Guofu as transferors and Anhui BVI as transferee whereby XGII and Langfang Guofu agreed to transfer all their equity interests of 47% and 53% in Enric Compressor respectively to Anhui BVI at an aggregate consideration of HK\$21,320,000.
- (6) a patent licence agreement dated 3 July 2004 entered into between Enric Gas Equipment and Xinao Shijiazhuang whereby Xinao Shijiazhuang has granted to Enric Gas Equipment an exclusive right to apply the technologies under the patent of seamless pressure cylinders (patent no. ZL.02.2.41723.0) in the PRC for seven years commencing on 3 July 2004 at nil consideration.
- (7) a patent licence agreement dated 3 July 2004 entered into between Enric Gas Equipment and Xinao Shijiazhuang whereby Xinao Shijiazhuang has granted to Enric Gas Equipment an exclusive right to apply the technologies under the patent of gas storage cylinder group for use at gas refueling stations (patent no. ZL.02.2.41724.9) in the PRC for seven years commencing on 3 July 2004 at nil consideration.

- (8) a patent licence agreement dated 3 July 2004 entered into between Enric Gas Equipment and Xinao Shijiazhuang whereby Xinao Shijiazhuang has granted to Enric Gas Equipment an exclusive right to apply the technologies under the patent of containers for seamless pressure gas cylinders (patent no. ZL.02.2.41725.7) in the PRC for seven years commencing on 3 July 2004 at nil consideration.
- (9) a trademark licence agreement dated 28 July 2004 entered into between Enric Compressor and XGCL whereby XGCL has granted to Enric Compressor a right to use the trademarks “**Enric** 安瑞科” (registration no. 3121213), “**Enric**” (registration no. 3121214) and “安瑞科” (registration no. 3121215) from 28 July 2004 to 1 January 2013 at nil consideration.
- (10) a trademark licence agreement dated 28 July 2004 entered into between Enric Gas Equipment and XGCL whereby XGCL has granted to Enric Gas Equipment a right to use the trademarks “安瑞科” (registration no. 3121216), “**Enric**” (registration no. 3121217) and “**Enric** 安瑞科” (registration no. 3121218) from 28 July 2004 to 13 June 2013 at nil consideration.
- (11) a tenancy agreement dated 30 September 2004 entered into between Enric Gas Equipment as tenant and Xinao Solar Energy Company Limited* (新奧太陽能有限公司) as landlord whereby Enric Gas Equipment has rented from Xinao Solar Energy Company Limited two floors (including their ancillary facilities and office equipment) of an office building located in the Langfang Economic and Technical Development Zone in the PRC at a rent of RMB520,000 per annum for a term of three years commencing on 30 September 2004 for office purpose.
- (12) a property management services agreement dated 30 September 2004 entered into between Enric Gas Equipment and Langfang Xinao Property Management Company Limited* (廊坊新奧物業管理有限公司) whereby Langfang Xinao Property Management Company Limited agreed to provide property management services in relation to the rented properties under the tenancy agreement as mentioned in material contract (11) above to Enric Gas Equipment for a term of three years commencing on 1 October 2004 at a consideration of RMB180,000 per year.
- (13) a trademark transfer agreement dated 10 October 2004 entered into between Enric Compressor and XGCL whereby XGCL agreed to transfer the ownership of trademarks of “**Enric** 安瑞科” (registration no. 3121213), “**Enric**” (registration no. 3121214) and “安瑞科” (registration no. 3121215) to Enric Compressor at nil consideration.
- (14) a trademark transfer agreement dated 10 October 2004 entered into between Enric Gas Equipment and XGCL whereby XGCL agreed to transfer the ownership of trademarks of “安瑞科” (registration no. 3121216), “**Enric**” (registration no. 3121217) and “**Enric** 安瑞科” (registration no. 3121218) to Enric Gas Equipment at nil consideration.

- (15) a share subscription agreement dated 21 January 2005 entered into between Symbiospartners as subscriber, EIGL and XGII as warrantor whereby 10 shares in EIGL were allotted and issued to Symbiospartners representing 10% of the enlarged issued share capital of EIGL at a total subscription price of US\$1,900,000.
- (16) a tenancy agreement dated 7 February 2005 entered into between EIGL as tenant and Xinao Gas Investment Group Limited as landlord whereby EIGL has rented from Xinao Gas Investment Group Limited a portion of certain properties in an office building located in Tower One, Lippo Centre, No. 89 Queensway, Hong Kong at a rent of HK\$455,544 per annum for a term of three years commencing on 1 February 2005 for office purpose.
- (17) a patent transfer agreement dated 10 March 2005 entered into between Enric Gas Equipment and Xinao Shijiazhuang whereby Xinao Shijiazhuang agreed to transfer the ownership of the patent in relation to seamless pressure cylinders (patent no. ZL.02.2.41723.0) to Enric Gas Equipment at nil consideration.
- (18) a patent transfer agreement dated 10 March 2005 entered into between Enric Gas Equipment and Xinao Shijiazhuang whereby Xinao Shijiazhuang agreed to transfer the ownership of patent in relation to gas storage cylinder group for use at gas refueling stations (patent no. ZL.02.2.41724.9) to Enric Gas Equipment at nil consideration.
- (19) a patent transfer agreement dated 10 March 2005 entered into between Enric Gas Equipment and Xinao Shijiazhuang whereby Xinao Shijiazhuang agreed to transfer the ownership of patent in relation to containers for seamless pressure gas cylinders (patent no. ZL.02.2.41725.7) to Enric Gas Equipment at nil consideration.
- (20) an agreement for subscription of convertible redeemable bonds issued by EIGL dated 29 August 2005 between EIGL, Investec, the Company, XGII and Symbiospartners pursuant to which Investec was issued the Redeemable Convertible Bonds in the aggregate principal amount of US\$5,000,000 by EIGL.
- (21) a cancellation agreement dated 16 September 2005 entered into between Enric Gas Equipment and Xinao Shijiazhuang whereby the three patent licence agreements all dated 3 July 2004 between Enric Gas Equipment and Xinao Shijiazhuang (as described as material contracts nos. (6), (7) and (8) respectively in this section) were cancelled upon completion of the transfers of the three patents under the three patent transfer agreements all dated 10 March 2005 between Enric Gas Equipment and Xinao Shijiazhuang (as described as material contracts nos. (17), (18) and (19) respectively in this section).
- (22) a cancellation agreement dated 16 September 2005 entered into between Enric Compressor and XGCL whereby the trademark licence agreement dated 28 July 2004 between Enric Compressor and XGCL (as described as material contract no. (9) in this section) was cancelled upon completion of the transfers of the three trademarks under the trademark transfer agreement dated 10 October 2004 between Enric Compressor and XGCL (as described as material contract no. (13) in this section).


- (23) a cancellation agreement dated 16 September 2005 entered into between Enric Gas Equipment and XGCL whereby the trademark licence agreement dated 28 July 2004 between Enric Gas Equipment and XGCL (as described as material contract no. (10) in this section) was cancelled upon completion of the transfers of the trademarks under the trademark transfer agreement dated 10 October 2004 between Enric Gas Equipment and XGCL (as described as material contract no. (14) in this section).
- (24) a licence agreement dated 16 September 2005 (the “Licence Agreement”) entered into between Xinao Shijiazhuang as licensor and Enric Gas Equipment and Enric Integration jointly as licensees whereby it was agreed, during the remaining term of the agreement dated 6 May 2003 between Neogas and Xinao Shijiazhuang (the “Neogas Agreement”) and commencing on the Listing Date, that (i) Xinao Shijiazhuang shall grant its rights under the Neogas Agreement to Enric Gas Equipment and Enric Integration exclusively at nil consideration; (ii) Xinao Shijiazhuang shall unconditionally and irrevocably undertake not to use its rights under the Neogas Agreement and not to grant any licences under the Neogas Agreement to any other parties outside the Group; (iii) any licence fees, royalties and other related fees (if any) payable under the Neogas Agreement shall be paid by Enric Gas Equipment and/or Enric Integration directly to Neogas; and (iv) Xinao Shijiazhuang shall fully indemnify the Group for any losses, damages and liabilities which may be suffered by any members of the Group as a result of the breach of the Licence Agreement and/or the Neogas Agreement by Xinao Shijiazhuang.
- (25) a deed of non-competition undertaking dated 26 September 2005 given by the Initial Management Shareholders (collectively, the “Covenantors”) in favour of the Company (for itself and as trustees of its subsidiaries) whereby each of the Covenantors has irrevocably given, in favour of the Company, certain non-competition undertakings as referred to in the section headed “Relationship with the controlling Shareholders — Non-competition undertakings” in this prospectus.
- (26) a deed for sale and purchase of the entire issued share capital of EIGL dated 26 September 2005 entered into between XGII and Symbiospartners as vendors, the Company as purchaser and Mr. Wang and Ms. Zhao as indemnifiers, pursuant to which the Company acquired 90% and 10% of the issued share capital of EIGL from XGII and Symbiospartners respectively in consideration of the allotment and issue of 791 and 88 Shares credited as fully paid to XGII and Symbiospartners respectively.
- (27) a capitalisation agreement dated 26 September 2005 entered into between the Company and XGII whereby, conditional upon the Placing becomes unconditional, the Company will allot and issue a total of 260,159,120 Shares, as to 234,143,208 Shares to XGII and 26,015,912 Shares to Symbiospartners (as nominated by XGII) respectively, all credited as fully paid, on capitalisation of cash advances in the sum of RMB45,000,000 due and owing by the Company to XGII.

- (28) a deed of indemnity dated 10 October 2005 entered into among XGII, Mr. Wang and Ms. Zhao (collectively, the “Indemnifiers”) and the Company for itself and as trustee for its subsidiaries, under which the Indemnifiers have given certain indemnities referred to in the section headed “Other information – Estate duty and tax and other indemnities” in this Appendix.
- (29) the Underwriting Agreement.

Intellectual property rights

(1) Trademarks

- (a) As at the Latest Practicable Date, the Group had registered the following trademarks in the PRC:

Name of registered owner	Trademark	Class	Registration no.	Valid period
Enric Compressor		7, 9 (air compressors (空氣壓縮機) only)	149460	7 December 2002-28 February 2013

- (b) As at the Latest Practicable Date, the ownership of the following trademarks had been transferred from XGCL to the Group pursuant to two trademark transfer agreements both dated 10 October 2004 between the Group and XGCL (each being a material contract as referred to in the section headed “Summary of material contracts” in this Appendix):

Name of registered owner	Trademarks	Class	Registration no.	Valid period
1. Enric Compressor	Enric 安瑞科	7	3121213	21 April 2004-20 April 2014
2. Enric Compressor	Enric	7	3121214	21 April 2004-20 April 2014
3. Enric Compressor	安瑞科	7	3121215	21 September 2003-20 September 2013
4. Enric Gas Equipment	安瑞科	6	3121216	14 June 2003-13 June 2013
5. Enric Gas Equipment	Enric	6	3121217	14 June 2003-13 June 2013
6. Enric Gas Equipment	Enric 安瑞科	6	3121218	14 June 2003-13 June 2013

- (c) As at the Latest Practicable Date, the Group had applied for registration of the following trademarks :

Trademark	Name of applicant	Place of application	Class	Application date
Enric 安瑞科	Enric Integration	PRC	2-5, 13-45	4 July 2005
Enric	Enric Integration	PRC	2-5, 13-45	4 July 2005
安瑞科	Enric Integration	PRC	2-5, 13-45	4 July 2005
Enric	The Company	HK	6, 7	15 September 2005

(2) Patents

As at the Latest Practicable Date, the ownership of the following patents had been transferred from Xinao Shijiazhuang to the Group pursuant to three patent transfer agreements all dated 10 March 2005 between Enric Gas Equipment and Xinao Shijiazhuang (each being a material contract as referred to in the section headed "Summary of material contracts" in this Appendix).

Patent	Patent no.	Valid period
1. Seamless pressure cylinders 高壓氣體瓶式壓力容器	ZL.02.2.41723.0	3 July 2004-2 July 2011
2. Gas storage cylinder group for use at gas refueling stations 站用儲氣瓶組	ZL.02.2.41724.9	3 July 2004-2 July 2011
3. Containers for seamless pressure gas cylinders 高壓氣體瓶式集裝箱	ZL.02.2.41725.7	3 July 2004-2 July 2011

As at the Latest Practicable Date, Enric Gas Equipment and Enric Integration have been granted the exclusive rights of Xinao Shijiazhuang to apply the technologies of the following patent of Neogas pursuant to a licence agreement dated 16 September 2005 between Xinao Shijiazhuang, Enric Gas Equipment and Enric Integration (being a material contract as referred to in the section headed "Summary of material contracts" in this Appendix). Neogas has been granted a patent of the relevant technologies in United States and has applied to the State Intellectual Property Office of the PRC for registration of such patent in the PRC.

Patent	Application no.	Application date
Compressed Natural Gas Dispensing System	02803740.5	15 March 2002

(3) Domain name

As at the Latest Practicable Date, the Group had registered the following domain names in the PRC:

Domain Name	Registration date	Expiry date
<i>enricgroup.com</i>	3 June 2002	3 June 2010
<i>enricgroup.com.cn</i>	31 July 2005	31 July 2010

FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF**(1) Directors**

Immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions) once the Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed, will be as follows:

(a) Beneficial interests in the Company

Name of Director	Personal interest	Family interest	Corporate interest	Other interest	Total
Mr. Wang	-	-	234,144,000 Shares ⁽¹⁾	4,000,000 Shares ⁽²⁾	238,144,000 55.13%
Ms. Zhao	-	4,000,000 Shares ⁽³⁾	234,144,000 Shares ⁽¹⁾	-	238,144,000 55.13%
Mr. Cai Hongqiu	-	-	-	1,400,000 Shares ⁽⁴⁾	1,400,000 0.32%
Mr. Yu Jianchao	-	-	-	1,000,000 Shares ⁽⁵⁾	1,000,000 0.23%
Mr. Zhao Xiaowen	-	-	-	1,000,000 Shares ⁽⁶⁾	1,000,000 0.23%
Mr. Zhou Kexing	-	-	-	1,000,000 Shares ⁽⁷⁾	1,000,000 0.23%

Notes:

- (1) The two references to 234,144,000 Shares relate to the same block of Shares. Such Shares are held by XGII which is owned as to 50% by Mr. Wang and 50% by Ms. Zhao. Ms. Zhao is the spouse of Mr. Wang and therefore both Mr. Wang and Ms. Zhao are deemed to be interested in such 234,144,000 Shares under the SFO.
- (2) The 4,000,000 Shares represent underlying interests in Shares pursuant to share options granted by the Company to Mr. Wang under the Pre-IPO Share Option Plan. Further details of such options are disclosed under the paragraph headed "Outstanding options granted under the Pre-IPO Share Option Plan" in this Appendix.
- (3) Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these share options which were granted to Mr. Wang.
- (4) The 1,400,000 Shares represent underlying interests in Shares pursuant to share options granted by the Company to Mr. Cai Hongqiu under the Pre-IPO Share Option Plan. Further details of such options are disclosed under the paragraph headed "Outstanding options granted under the Pre-IPO Share Option Plan" in this Appendix.
- (5) The 1,000,000 Shares represent underlying interests in Shares pursuant to share options granted by the Company to Mr. Yu Jianchao under the Pre-IPO Share Option Plan. Further details of such options are disclosed under the paragraph headed "Outstanding options granted under the Pre-IPO Share Option Plan" in this Appendix.
- (6) The 1,000,000 Shares represent underlying interests in Shares pursuant to share options granted by the Company to Mr. Zhao Xiaowen under the Pre-IPO Share Option Plan. Further details of such options are disclosed under the paragraph headed "Outstanding options granted under the Pre-IPO Share Option Plan" in this Appendix.
- (7) The 1,000,000 Shares represent underlying interests in Shares pursuant to share options granted by the Company to Mr. Zhou Kexing under the Pre-IPO Share Option Plan. Further details of such options are disclosed under the paragraph headed "Outstanding options granted under the Pre-IPO Share Option Plan" in this Appendix.
- (8) The shareholding percentages listed above refer to the relevant shareholdings in the issued share capital of the Company immediately following the completion of the Capitalisation Issue, the Conversion and the Placing (without taking into account any exercise of the Over-allotment Option or the exercise of the options which have been granted under the Pre-IPO Share Option Plan and may be granted under the Share Option Scheme).

(b) *Beneficial interests in the shares of associated corporations*

Name of associated corporation	Name of Director	Personal interests	Family interests	Corporate interests	Interests in underlying shares pursuant to outstanding share options	Aggregate interests	Approximate shareholding percentage
(i) XGII	Mr. Wang	500 shares	500 shares	-	-	1,000 shares	100.00%
	Ms. Zhao	500 shares	500 shares	-	-	1,000 shares	100.00%
(ii) Xinao Gas	Mr. Wang	2,594,000 shares	-	384,486,000 shares (Note 2)	700,000 shares	387,780,000 shares	43.02%
	Ms. Zhao	-	2,594,000 shares (Note 3)	384,486,000 shares (Note 2)	700,000 shares (Note 4)	387,780,000 shares	43.02%

Notes:

- (1) All shares and underlying shares stated in the above table, unless otherwise stated, relate to ordinary shares of the relevant associated corporation.
- (2) The two references to 384,486,000 shares relate to the same block of shares. Such shares are held by XGII which is owned as to 50% by Mr. Wang and 50% by Ms. Zhao.
- (3) Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these shares by virtue of the SFO.
- (4) Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these share options which were granted to Mr. Wang by virtue of the SFO.

Save as disclosed herein and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company will, immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, have any interests and short positions in the share capital, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which

they are taken or deemed to have taken under such provisions) once the Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed.

(2) Substantial Shareholders

Save as disclosed in the section headed "Substantial, Initial Management and Significant Shareholders" in this prospectus, the Directors are not aware of any persons, not being a Director or chief executive of the Company, who will immediately following completion of the Capitalisation Issue, the Conversion and the Placing be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or who are expected to have interests or short positions in the Shares and underlying Shares or debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(3) Particulars of service agreements

Each of the executive Directors has entered into a service agreement with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are summarised below:

- (a) each service agreement is of an initial term of three years commencing on the 1 October 2005 and shall continue thereafter until terminated in accordance with the terms of the agreement. Under the agreement, either party may terminate the agreement at any time by giving to the other not less than six months' prior written notice, provided that such notice is not to be given at any time prior to the six months before expiry of the initial term;
- (b) the monthly salary for each of Mr. Wang, Cai Hongqiu, Yu Jianchao, Zhao Xiaowen and Zhou Kexing from the commencement of his appointment as executive Director in 2005 and for 2006 and 2007 shall be HK\$75,000, HK\$50,000, HK\$25,000, HK\$33,000 and HK\$33,000 respectively. As from 2008, the annual salary of each executive Director shall be as determined by the Board, provided that any increment of which shall not be more than 15% of the annual salary received by the executive Director for the immediate preceding year;
- (c) each of the executive Directors is entitled to a management bonus by reference to the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items (the "Net Profits") as the Board may, in its absolute discretion approve provided that the aggregate amount of the management bonuses payable to all executive Directors in respect of any financial year of the Group shall not exceed 10% of the Net Profits for the relevant financial year; and

- (d) each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolutions of the Board regarding the amount of annual salary and management bonus and, where applicable, housing allowance payable to himself.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any other members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(4) Directors' remuneration

- (a) The Company's policies concerning remuneration of the executive Directors are:
 - (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;
 - (ii) non-cash benefits may be provided to the Directors under their remuneration package; and
 - (iii) the executive Directors may be granted, at the discretion of the Board, options pursuant to the Share Option Schemes, as part of their remuneration package.
- (b) An aggregate of approximately RMB142,000 and RMB154,000 were paid to the Directors as remuneration for the financial year ended 31 December 2004 and the six months ended 30 June 2005. No directors' remuneration was incurred for the year ended 31 December 2003. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.
- (c) An aggregate of approximately HK\$1,043,000 (excluding any management bonus which may be paid) is expected to be paid as remuneration to the Directors by the Group in respect of the financial year ending 31 December 2005 pursuant to the present arrangement.
- (d) None of the directors or any past directors of any member of the Group has been paid any sum of money for each of the two financial years ended 31 December 2004 and the six months ended 30 June 2005 (i) as an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other notice in connection with the management of the affairs of any member of the Group.
- (e) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years ended 31 December 2004 and the six months ended 30 June 2005.

- (f) The non-executive Director and each of the independent non-executive Directors has been appointed for a term of three years, commencing on the Listing Date and on 7 February 2005 respectively and thereafter eligible for re-election. Save for monthly remuneration of HK\$5,000, none of the non-executive Director and the independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or as an independent non-executive Director, respectively.
- (g) Save as disclosed in Note 6 of Appendix I to this prospectus, none of the Directors received any remuneration or benefits in kind from the Group for each of the two financial years ended 31 December 2004 and the six months ended 30 June 2005. Particulars of emoluments paid to the five persons who received the highest emoluments from the Group for each of the two financial years ended 31 December 2004 and the six months ended 30 June 2005 are set out in Note 7 to the accountants' report set out in Appendix I to this prospectus.
- (h) Each of Mr. Wang and Ms. Zhao, by virtue of his/her directorship (or then directorship) of the other companies involved in the Reorganisation, is or may be considered to be interested in the steps of Reorganisation and in related transactions and arrangements.
- (i) Each of Mr. Wang and Ms. Zhao, by virtue of his/her interests in the shares in the other companies involved in the Reorganisation, is or may be considered to be interested in the steps of Reorganisation and in related transactions and arrangements.

(5) Disclaimers

Save as disclosed herein:

- (a) none of the Directors or chief executive of the Company is aware of any other Director or chief executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporation (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required pursuant to section 352 of the SFO to be entered in the register referred to in that section, or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules once the Shares are listed;
- (b) none of the Directors nor any of the persons whose names are listed in the section headed "Consents of experts" in this Appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

- (c) none of the Directors nor any of the persons whose names are listed in the section headed “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
- (d) none of the persons whose names are listed in the section headed “Consents of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (e) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Placing or related transaction as mentioned in this prospectus; and
- (g) so far as is known to the Directors and save as disclosed in this prospectus, none of the Directors, their respective associates (as defined in the GEM Listing Rules) or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group.

SHARE OPTION SCHEMES

Summary of the terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved by the written resolutions of the Shareholder(s) passed on 26 September 2005 and 7 October 2005 respectively:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants (as defined in paragraph (2) below) and for such other purposes as the Board may approve from time to time.

(2) Who may join

The Board may, at its absolute discretion, invite (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any substantial Shareholders or any employees, executive

or non-executive directors of each member of the Group; (iii) any consultants, professionals and other advisers to each member of the Group (or persons firms or companies proposed to be appointed for providing such services); (iv) any chief executives of the Company or substantial Shareholders; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of substantial Shareholders (respectively, the "Participants" and each a "Participant"), to take up options ("Options") to subscribe for Shares at a price calculated in accordance with paragraph (5) below.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(3) Grant of Options

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of: (a) the date of the meeting of the Board for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the relevant results announcement, no Option may be granted.

(4) Payment on acceptance of option offer

HK\$1.00 is payable by the Participant to the Company on acceptance of the Option as consideration for the grant. The Option to which the offer relates shall be deemed to have been granted on the date of offer of such Option.

(5) Subscription price of Shares

Subject to any adjustments made pursuant to paragraph (12) below and pursuant to Rule 23.01(3) of the GEM Listing Rules, the subscription price in respect of each Share issued pursuant to the exercise of the Options granted under the Share Option Scheme will be a price solely determined by the Board and notified to a Participant and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the Option to the Participant, which must be a day (other than a Saturday or a Sunday) on which licenced banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities (a "Trading Day"); (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive Trading Days immediately preceding the date of offer of the Option to the Participant (provided that the Placing Price shall be used as the closing price for any Trading Day falling within the period before the Listing if the Shares have been listed for less than five Trading Days before the offer date of the Option); and (c) the nominal value of a Share.

- (6) **Maximum number of Shares available for subscription and maximum entitlement of Shares of each Participant**
- (a) The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% (the “Scheme Mandate Limit”) of the total number of Shares in issue on the Listing Date (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), which is expected to be 43,200,000 Shares, unless the Company obtains a fresh approval from the Shareholders pursuant to sub-paragraph (b) below. Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.
 - (b) The Company may seek approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as “refreshed” shall not exceed 10% (the “Refreshed Limit”) of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Limit. In such a case, the Company shall send a circular to the Shareholders containing the information required under the GEM Listing Rules.
 - (c) The Company may seek approval by the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit or Refreshed Limit provided the Options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to the Shareholders containing the information required under the GEM Listing Rules.
 - (d) Notwithstanding the above and subject to paragraph (12) below, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.
 - (e) Subject to paragraph (6)(f) below, the maximum number of Shares issued and to be issued upon exercise of the options granted pursuant to the Share Option Scheme and any other share option schemes of the Company to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

- (f) Notwithstanding paragraph (6)(e) above, any further grant of Options to a Participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue shall be subject to the Shareholders' approval in general meeting with such Participant and his associates abstaining from voting. The number of Shares and the terms of the Options to be granted to such Participants shall be fixed before the Shareholders' approval and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case, the Company shall send a circular to the Shareholders containing the information required under the GEM Listing Rules.

(7) Requirements on granting Options to connected persons

Any grant of Options to a Participant who is a director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates (including a discretionary trust whose discretionary objects include a director, chief executive, management shareholder or substantial shareholder of the Company or a company beneficially owned by any director, chief executive, management shareholder or substantial shareholder of the Company) must be approved by the independent non-executive Directors (excluding an independent non-executive Director who is the grantee). Where the board of Directors proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive Director or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial Shareholder or an independent non-executive Director or a company beneficially owned by any substantial Shareholder or independent non-executive Director), would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and other share option schemes of the Company (including options exercised, cancelled and outstanding) to such Participant in the 12-month period up to and including the date of grant:

- (a) representing in aggregate more than 0.1% of the total number of Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such proposed further grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to the Shareholders containing all those terms as required under the GEM Listing Rules. All connected persons of the Company must abstain from voting at such general meeting (except that any connected person may vote against the relevant resolution provided that his intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll. Shareholders' approval as required under this paragraph

(7) is also required for any changes in the terms of Options granted to a Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates.

(8) Time of exercise of option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than 10 years to be notified by the Board to each grantee, which period shall deem to commence on the date of the offer of the Option to the Participant and expire on the last day of such period as determined by the Board.

Unless otherwise determined by the Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option, there is neither any performance targets that need to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before it can be exercised.

(9) Rights are personal to grantee

An Option shall be personal to the grantee and shall not be transferable nor assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third parties over or in relation to any Options (where the Grantee is a company, any changes of its major shareholder or any substantial changes in its management (to be determined by the Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid). Any breaches of the foregoing by a grantee shall entitle the Board to cancel any outstanding Options or part thereof.

(10) Rights on ceasing employment or engagement

If the grantee of an option ceases to be a Participant for any reason other than on his death or termination of his employment, directorship, office or appointment on one or more of the grounds specified in paragraph (17)(e) below, the grantee may exercise the Option up to the grantee's entitlement at the date of cessation (to the extent which has become exercisable and not already been exercised) within the period of 3 months (or such longer period as the Board may determine) following the date of such cessation. Such date of cessation shall be, in the case of an employee, a director, a consultant, professional and other advisers or chief executives of the relevant company, the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment, or in the case of a discretionary object, the date of the last actual working day with the relevant company or the last date of office or appointment of the settlor of the discretionary trust and the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive.

(11) Rights on death

If the grantee of an Option, if an individual, dies before exercising the Option in full and none of the events which would be a ground for termination of his employment, directorship, office or appointment under paragraph (17)(e) below arises, his personal representative(s) of the grantee shall be entitled within a period of 12 months, or such longer period as the Board may determine, from the date of death, to exercise the Option up to the entitlement of such grantee as at the date of death (to the extent that the Option has become exercisable and not already been exercised).

(12) Reorganisation of capital structure

In the event of any alternations in the capital structure of the Company whilst any Option remain exercisable, whether by way of capitalisation issue, rights issue, sub-division, consolidation of Shares or reduction of the share capital of the Company (other than as a result of an issue of Shares as consideration in a transaction), such corresponding alterations (if any) must be confirmed in writing by an independent financial adviser appointed by the Company or the auditors for the time being of the Company to the Directors, provided that any such alterations shall be in compliance with the requirements of the GEM Listing Rules but so that no such alterations shall be made to the effect that any Share would be issued at less than its nominal value.

(13) Rights on take-over

If a general offer by way of take-over (other than by way of scheme of arrangement pursuant to paragraph (14) below) is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant period of which an Option may be exercised, the Company shall forthwith give notice thereof to the grantee and the grantee (or his personal representative(s)) may by notice in writing to the Company within 21 days of such notice of the offeror exercise the Option (to the extent that the Option has become exercisable on the date of the notice of the offeror and not already been exercised) to its full extent or to the extent specified in such notice.

(14) Rights on scheme of arrangement

If a general offer by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith give notice thereof to the grantee and the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Option (to the extent the Option has become exercisable and not already been exercised) to its full extent or to the extent specified in such notice.

(15) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, other than a general offer or a scheme of arrangement contemplated in paragraph (13) or (14) above, the Company shall give notice thereof to the grantee on the same date as it despatches the notice to each Shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing on such date and ending on the earlier of two months thereafter and the date on which such compromise or arrangement is sanctioned by the court, exercise any of his Options (to the extent the Option has become exercisable and not already been exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(16) Voluntary wind-up

If a notice is given by the Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice give notice thereof to all grantees. Each grantee (or his legal personal representative(s)) may by notice in writing to the Company (such notice to be received by the Company not later than two Trading Days prior to the date of the proposed general meeting, exercise the Option (to the extent the Option has become exercisable and not already been exercised) in accordance with the Share Option Scheme whereupon the Company shall as soon as possible and, in any event, no later than the Trading Day immediately prior to the date of the proposed general meeting allot the relevant Shares to the grantee credited as fully paid.

(17) Lapse of Options

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

- (a) the expiry of the option period;
- (b) the expiry of the periods referred to in paragraph (10), (11), (13) or (16) above respectively;
- (c) subject to the scheme of arrangement referred to in paragraph (14) becoming effective, the expiry of the period referred to in paragraph (14) above;

- (d) subject to the compromise or arrangement referred to in paragraph (15) becoming effective, the expiry of the period referred to in paragraph (15) above;
- (e) the date on which the grantee ceases to be a full-time or part-time employee, director, consultant, professional or other adviser, discretionary objects of a discretionary trust or chief executive of the relevant company or substantial shareholder of the Company (as the case may be) by reason of the termination of his employment, directorship, office or appointment on the grounds that he has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect of being able to pay debts, or has become insolvent, or has made any arrangements or compositions with his creditors generally, or has been convicted of any criminal offences involving his integrity or honesty, in the event of which the board of directors of the relevant company or substantial shareholder of the Company (as the case may be) shall at its absolute discretion determine whether the employment, directorship, office or appointment of the Grantee has been terminated on one or more of the grounds specified in this paragraph (17)(e);
- (f) the close of two Trading Days prior to the general meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of commencement of the winding-up of the Company referred in paragraph (16) above;
- (g) the date on which the Option is cancelled by the Board as provided in paragraph (9) above; or
- (h) the date on which the Option is cancelled by the Board as set forth in paragraph (19) below.

(18) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to the Memorandum and the Articles and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

(19) Cancellation of Options granted

The Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any Option granted but not exercised. Where the Company cancels Options and makes an offer of grant of new Options to the same grantee, the offer of such new Options may only be made under the Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (6) above.

(20) Period of the Share Option Scheme

The Share Option Scheme will remain valid for a period of 10 years commencing on the date on which the Share Option Scheme is conditionally adopted by written resolution of the Shareholder, after which period no further Options will be issued but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(21) Alteration to the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of Participants except with the prior approval of a resolution of the Shareholders in general meeting (with Participants and their associates abstaining from voting). 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 in writing of such majority of the affected grantees as would be required the Shareholders under the Articles for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. Any changes to the authority of the Board or scheme administrators in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting. The terms of the Share Option Scheme, as it may from time to time be amended, must comply with the relevant requirements of Chapter 23 of the GEM Listing Rules and the laws of Hong Kong in force from time to time.

(22) Termination

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme and (if applicable) Options that become void or non-exercisable as a result of the termination must be disclosed in the circular to the Shareholders seeking approval of the first new share option scheme to be established after such termination of the Share Option Scheme.

(23) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (a) the passing of the necessary resolution to adopt the Share Option Scheme by the Shareholder; (b) no objection having been received by the Company from the Listing Committee prior to the Listing in relation to the adoption of any terms of the Share Option Scheme; (c) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the granting of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of Options granted under the Share Option Scheme; (d) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of that agreement or otherwise.

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the Options granted under the Share Option Scheme.

As at the date of this prospectus, no Option has been granted or agreed to be granted by the Company under the Share Option Scheme.

Summary of the terms of the Pre-IPO Share Option Plan

The principal terms of the Pre-IPO Share Option Plan approved by the written resolutions of the Shareholder(s) passed on 26 September 2005 and 7 October 2005 respectively are substantially the same as the terms of the Share Option Scheme except that:

- (a) the purpose of the Pre-IPO Share Option Plan is to recognise the contribution of certain existing and past employees and directors of the Group to the growth of the Group and/or to the Listing;
- (b) the total number of Shares in respect of which options may be granted under the Pre-IPO Share Option Plan is 13,800,000 Shares, and the total number of Shares to be issued upon exercise of options granted to each participant must not exceed 13,800,000 Shares;
- (c) the exercise price of the options is equal to the Placing Price;
- (d) the Pre-IPO Share Option Plan is valid from 26 September 2005 until the day immediately prior to the Listing Date, after which no further options will be issued but its provisions will remain in force to give effect to the exercise of any options granted prior thereto;
- (e) the Pre-IPO Share Option Plan takes effect upon its adoption by the written resolution of the Shareholder, but the exercise of any option granted is conditional upon:
 - (i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Plan and to be granted under the Share Option Scheme; and

- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of that agreement or otherwise.

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

Outstanding options granted under the Pre-IPO Share Option Plan

As at the date of this prospectus, the following options have been granted under the Pre-IPO Share Option Plan:

Name of grantee	Address	Number of Shares subject to the options	Approximate percentage of issued share capital of the Company immediately upon the Listing (if the Over-allotment Option is not exercised) (Note 1)	Approximate percentage of issued share capital of the Company immediately upon the Listing (if the Over-allotment Option is exercised in full)
<i>Directors</i>				
Mr. Wang	No.18, Huachun Lane Xinhua Road Langfang City Hebei Province The PRC	4,000,000 (Note 2)	0.926%	0.898%
Mr. Cai Hongqiu	903C, Block 9 Kongzhong Garden Langfang City Hebei Province The PRC	1,400,000	0.324%	0.314%
Mr. Yu Jianchao	1503C, Block 9 Kongzhong Garden Langfang City Hebei Province The PRC	1,000,000	0.231%	0.225%

Name of grantee	Address	Number of Shares subject to the options	Approximate percentage of issued share capital of the Company immediately upon the Listing (if the Over-allotment Option is not exercised) (Note 1)	Approximate percentage of issued share capital of the Company immediately upon the Listing (if the Over-allotment Option is exercised in full)
Mr. Zhao Xiaowen	101,2-3, Jinhua Lane Jinsanjiao District Yinhe Street Langfang City Hebei Province The PRC	1,000,000	0.231%	0.225%
Mr. Zhou Kexing	603C, Block 9 Kongzhong Garden Langfang City Hebei Province The PRC	1,000,000	0.231%	0.225%
<i>Senior management</i>				
Mr. Cheong Siu Fai	Flat D, 27th Floor, Block 2 Sunshine Grove Tak Yi Street, Shatin New Territories Hong Kong	700,000	0.162%	0.157%
Mr. Yang Weifeng	2-1-503, Fenghe Xingyuen Xishi Dajie, Nankai District Tianjin City the PRC	600,000	0.139%	0.135%
Mr. Ren Yingjian	603C, Block 8 Kongzhong Garden Langfang City Hebei Province The PRC	600,000	0.139%	0.135%
Mr. Ren Zhiqing	5-1-602, Jinhua Lane Langfang City Hebei Province The PRC	500,000	0.116%	0.112%
Mr. Tu Guangzong	304D, Block 9 Kongzhong Garden Langfang City Hebei Province The PRC	500,000	0.116%	0.112%

Name of grantee	Address	Number of Shares subject to the options	Approximate percentage of issued share capital of the Company immediately upon the Listing (if the Over-allotment Option is not exercised) (Note 1)	Approximate percentage of issued share capital of the Company immediately upon the Listing (if the Over-allotment Option is exercised in full)
<i>Employee</i>				
Mr. Jin Yongsheng	No.1-502, Jin Cheng Lane Langfang City Hebei Province The PRC	2,000,000	0.463%	0.450%
Mr. Guo Wei	1-3-5, Xijia Bei'eryuan 100 Xiyuan, Haidian District Beijing The PRC	500,000	0.116%	0.112%
		<hr/>		
		13,800,000		

Notes:

- Refers to the issued share capital of the Company immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, without taking into account any exercise of the Over-allotment Option or the exercise of the options which have been granted under the Pre-IPO Share Option Plan and may be granted under the Share Option Scheme.
- Any Shares to be issued upon exercise of options granted to Mr. Wang under the Pre-IPO Share Option Plan shall be subject to restriction on disposal during the Lock-up Period.

The above options granted under the Pre-IPO Share Option Plan are exercisable by each grantee in the following manner:

Maximum percentage of option exercisable	Period for exercise of the relevant percentage of the option
50% of the total number of the options granted to any grantee (rounded down to the nearest whole number of Shares)	Upon the expiry of six months after the Listing Date up to 10 years from the date of grant of the options
100% of the total number of the options granted to any grantee (rounded down to the nearest whole number of Shares)	Upon the expiry of 24 months after the Listing Date up to 10 years from the date of grant of the options

There is no performance target that needs to be achieved by the grantee before an option can be exercised.

Upon the completion of the Capitalisation Issue, the Conversion and the Placing and assuming that all of the outstanding options granted under the Pre-IPO Share Option Plan were exercised in full upon the Listing, the respective shareholding interests of XGII, Investec, Symbiospartners and the public would be reduced from approximately 54.20%, 12.00%, 6.02% and 27.78% of the issued share capital of the Company prior to issue of Shares pursuant to the exercise of such options to approximately 52.52%, 11.63%, 5.84% and 26.92% of the issued share capital of the Company as enlarged by the issue of Shares pursuant to the exercise of such options granted under the Pre-IPO Share Option Plan, taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme.

In the event that the options granted under the Pre-IPO Share Option Plan are exercised in full or in part, the earnings per Share and the shareholding interests of the then existing Shareholders would be diluted.

OTHER INFORMATION

Estate duty and tax and other indemnities

XGII, Mr. Wang and Ms. Zhao (collectively, the “Indemnifier(s)”) have entered into a deed of indemnity with and in favour of the Group to provide indemnities on a joint and several basis in respect of, among other matters, (1) any liabilities for Hong Kong estate duty which might be incurred by any members of the Group by reason of any transfers of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any members of the Group on or before the date on which the Placing becomes unconditional; (2) any losses, damages and liabilities which may be suffered by any members of the Group as a result of the title defects of certain property interests of the Group; (3) any penalty imposed by PBOC or such other appropriate authority on any unlawful loans receivables of the Group or any loss suffered in connection with such penalty; and (4) any losses, damages and liability which may be suffered by any members of the Group as a result of failure to renew the tenancy agreement in respect of premises in Langsen Vehicle Industrial Zone.

The Indemnifiers will however, not be liable under the deed of indemnity for taxation where (i) provision or allowance has been made for such taxation in the audited consolidated accounts of the Group for the period from 1 January 2003 to 30 June 2005 (the “Accounts”); (ii) the taxation arises or is incurred as a result of a retrospective change in law or an increase in tax rates coming into force after the date of the deed of indemnity; and (iii) unless notice in respect of such taxation claim has been given to the Indemnifiers within six years after the effective date of the deed of indemnity.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in Cayman Islands, BVI or the PRC, being the jurisdictions in which one or more of the companies comprising the Group were incorporated.

Litigation

No member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

Sponsor

China Everbright has made an application on behalf of the Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein (including but not limited to any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options granted under the Pre-IPO Share Option Plan and to be granted under the Share Option Scheme).

Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$2,800 and are payable by the Company.

Qualifications of experts

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

Name	Qualification
China Everbright Capital	Registered investment adviser
KPMG	Certified public accountants
Sallmanns (Far East) Limited	Property valuer
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Beijing Grandfield Law Firm	PRC lawyers

Consents of experts

Each of China Everbright Capital, KPMG, Sallmanns (Far East) Limited, Conyers Dill & Pearman and Beijing Grandfield Law Firm has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

Binding effect

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

Advisory fees or commissions received

The Underwriters will receive an underwriting commission and the Sponsor will receive an advisory fee as referred to in the section headed "Underwriting – Commission and expenses" in this prospectus.

Miscellaneous

Save as disclosed in this prospectus:

- within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;
- within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and
- none of China Everbright Capital, KPMG, Sallmanns (Far East) Limited, Conyers Dill & Pearman and Beijing Grandfield Law Firm:
 - is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

No company within the Group is presently listed on any stock exchange or traded on any trading system.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.