
IMPORTANT

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

If you have sold or transferred all your shares in DeTeam Company Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

DeTeam Company Limited

弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8112)

PROPOSALS FOR BONUS ISSUE OF SHARES, GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES AND RE-ELECTION OF DIRECTORS

A proxy form for use at the annual general meeting is enclosed with the AGM Notice. Whether or not you are able to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar and transfer office, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the annual general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish.

A notice convening an annual general meeting of the Company to be held at Suite No. 3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong on Wednesday, 6 May 2009 at 3:00 p.m. is set on pages 67 to 70 of the 2008 annual report of the Company.

This circular, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page of 7 days from the date of its posting and on www.irasia.com/listco/hk/deteam/index.htm.

* For identification purpose only

23 March 2009

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company for the year ended 31 December 2008 to be held at Suite No. 3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong on 6 May 2009 (Wednesday), at 3:00 p.m.;
“AGM Notice”	the notice dated 23 March 2009 convening the Annual General Meeting;
“Articles of Association”	the articles of association of the Company;
“associates”	shall have the meaning set out in, and be interpreted in accordance with, the GEM Listing Rules;
“Board”	the board of Directors;
“Bonus Issue”	the proposed conditional issue of Bonus Shares on the basis of one Bonus Share for every five existing Shares held on the Record Date upon and subject to the terms and conditions set out in this circular;
“Bonus Share(s)”	new Share(s) to be allotted and issued pursuant to the Bonus Issue;
“Company”	DeTeam Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM;
“Directors”	directors of the Company for the time being;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries from time to time;
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	19 March 2009, being the latest practicable date prior to the printing of this circular;

DEFINITIONS

“Lucky Team”	Lucky Team International Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Mak Shiu Chung, Godfrey, the Chairman and an executive Director of the Company;
“Record Date”	4:30 p.m. on Monday, 25 May 2009, being the record date by reference to which entitlements to the final dividend and Bonus Issue will be determined;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	(a) holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	shall have the meaning set out in, and be interpreted in accordance with, the GEM Listing Rules;
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers;
“Xu Bin”	Mr. Xu Bin, a substantial shareholder of the Company who is beneficially interested in 48,960,000 Shares and is deemed interested in 2,000,000 Shares; and
“%”	per cent.

EXPECTED TIMETABLE

2009

Latest time for lodging forms of proxy for the Annual General Meeting	3:00 p.m. on Monday, 4 May
Date and time of the AGM	3:00 p.m. on Wednesday, 6 May
Last date of trading in Shares cum-entitlements to the final dividend and the Bonus Issue	Thursday, 21 May
First day of dealings in Shares ex-entitlements to the final dividend and the Bonus Issue	Friday, 22 May
Latest time for lodging transfers of Shares to qualify for entitlements to the final dividend and the Bonus Issue	4:30 p.m. on Monday, 25 May
Record Date for determination of entitlements to the final dividend and the Bonus Issue	4:30 p.m. on Monday, 25 May
Closure of register of members for the determination of entitlements to the final dividend and the Bonus Issue (both days inclusive)	Tuesday, 26 May to Tuesday, 2 June
Register of members reopens	Wednesday, 3 June
Despatch of dividend cheques	Wednesday, 3 June
Despatch of certificates for the Bonus Shares	Friday, 12 June
First day of dealings in the Bonus Shares on the Stock Exchange	Tuesday, 16 June

LETTER FROM THE BOARD

DeTeam Company Limited 弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8112)

Executive Directors:

Mr. Mak Shiu Chung, Godfrey (*Chairman*)
Mr. Zhang Chao Liang
Mr. Wang Hon Chen

Independent Non-executive Directors:

Mr. Kwok Chi Shing
Mr. Tsang Wai Sum
Mr. Yu Yang

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business:

Suite No. 3, 31st Floor,
Sino Plaza
255-257 Gloucester Road
Hong Kong

23 March 2009

To the Shareholders

Dear Sir and Madam,

PROPOSALS FOR BONUS ISSUE OF SHARES, GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES AND RE-ELECTION OF DIRECTORS

INTRODUCTION

At the Annual General Meeting to be held at Suite No. 3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong on 6 May 2009 (Wednesday), at 3:00 p.m., resolutions will be proposed, among other things, to make a Bonus Issue of Shares to those shareholders whose name appear on the register of members of the Company on the Record Date, grant the Directors general mandates to allot and issue new Shares and to repurchase Shares and re-elect retiring Directors.

PROPOSED BONUS ISSUE OF SHARES

The Directors proposed to make a Bonus Issue to those Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one Bonus Share for every five existing issued Shares held. The Bonus Shares credited as fully paid will rank *pari passu* in all respects with the existing issued Shares except to the extent that the holders of the Bonus Shares will not be

* *For identification purpose only*

LETTER FROM THE BOARD

entitled to participate in the final dividend of HK\$0.038 recommended by the Directors for approval by the Shareholders at the Annual General Meeting.

The exact total number of Bonus Shares to be issued under the Bonus Issue is not known as at the date of this circular and will only be capable of determination as at the Record Date. Based on 423,552,000 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are or will be issued or repurchased prior to the Record Date, a total number of 84,710,400 Bonus Shares will be issued pursuant to the Bonus Issue, which represents approximately 20% of the issued share capital of the Company as at the date of this circular and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Bonus Shares. It is proposed that the Directors be authorised to capitalise the sum of HK\$8,471,040 being part of the amount standing to the credit of the share premium account of the Company and apply such sum in paying up in full the Bonus Shares. Fractional entitlements to Bonus Shares will not be allotted but will be aggregated and sold for the benefit of the Company.

An ordinary resolution set out as ordinary resolution numbered 5 in the AGM Notice will be proposed at the Annual General Meeting to approve the Bonus Issue.

Conditions of the Bonus Issue

The Bonus Issue will be conditional upon:

- (a) the passing of an ordinary resolution to approve the Bonus Issue set out in the AGM Notice; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares.

Rights of Overseas Shareholders

If at any time before the Record Date, the registered address of any of the Shareholders as shown on the register of members of the Company is in a territory other than Hong Kong, the Directors will, in compliance with Rule 17.41 of the GEM Listing Rules, seek legal advice as to whether or not it would be or might be unlawful or impracticable to offer the Bonus Shares in such places. Subject to the legal advice, the Directors will exclude the overseas Shareholders from the Bonus Issue only if they consider that it is necessary or expedient not to offer the Bonus Shares to the overseas Shareholders on account either of the legal restrictions under the laws of the place of his/her registered address or the requirements of the relevant regulatory body or stock exchange in that place and such shares will be aggregated and sold for the benefit of the Company except when proceeds from such share sales amounted to HK\$100 or more for any single Shareholder, such proceeds will be distributed to the Shareholders concerned.

Based on the register of members of the Company as at the Latest Practicable Date, there were two Shareholders who are residents in a place outside Hong Kong, and in the PRC. The Directors have, in compliance with Rule 17.41(1) of the GEM Listing Rules, made enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory bodies or stock exchanges. The Directors have been advised by the relevant legal advisers that there is no restriction on extending the Bonus Issue to such Shareholders in the PRC. Therefore, the allotment of the Bonus Shares will be made to such Shareholders.

LETTER FROM THE BOARD

Closure of Register of Members

The register of members of the Company will be closed from 26 May 2009 to 2 June 2009 (both days inclusive) during which no transfer of Shares will be registered. In order to qualify for the final dividend and the Bonus Issue, all Shareholders are required to lodge their duly signed transfers accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration by no later than 4:30 p.m. on 25 May 2009.

Listing and dealings

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bonus Shares. The issued Shares are listed and dealt in on the Stock Exchange. No equity or debt securities of the Company are listed or dealt in on any other stock exchange, nor is listing or permission to deal in such securities on any other stock exchange being or proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, the Bonus Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transaction between participants of the Stock Exchange on any trading date is required to take place in CCASS on the second trading date thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Bonus Shares on the Stock Exchange are expected to commence on 16 June 2009.

Reasons for the Bonus Issue

The Directors believe that the Bonus Issue will enhance the liquidity of the Shares in the market and the Bonus Issue will also allow the Shareholders to participate in the business growth of the Company by way of capitalization of a portion of the share premium account.

Fractions of Bonus Shares

The Company will not allot any fractions of the Bonus Shares. Bonus Shares representing fractional entitlement will be aggregated and issued to a nominee to be nominated by the Directors. Such Bonus Shares (if any) will be sold and the net proceeds, after deducting the related expenses therefrom, will be retained by the Company for its own benefits.

LETTER FROM THE BOARD

Share certificates

Certificates for the Bonus Shares are expected to be despatched to the qualifying Shareholders by post on or about 12 June 2009 to their respective addresses shown in the register of members on the Record Date or in the case of joint holders to the address of the joint holder whose name stands first in the register of members on the Record Date at their own risk.

GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general mandate to allot, issue and deal with Shares up to a limit equal to 20% of the issued share capital of the Company as at the date of passing of such resolution. Another ordinary resolution will be proposed to increase limit of this 20% by the amount of any Shares repurchased by the Company up to a maximum of 10% of the issued share capital of the Company at the date of passing of the relevant resolution.

GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will also be proposed to grant to the Directors a general mandate to repurchase Shares on GEM or on any other stock exchange on which the Shares may be listed. Under such mandate, the number of Shares that the Company may repurchase shall not exceed 10% of the share capital of the Company in issue on the date of passing of the resolution.

Explanatory statement

Appendix II to this circular contains the explanatory statement in compliance with the GEM Listing Rules to give all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to approve the granting of a mandate to the Directors to exercise the powers of the Company to repurchase its own Shares.

General Information

The AGM Notice is set out in the annual report which has been despatched to the Shareholders with this circular.

A form of proxy for the Annual General Meeting is enclosed with the annual report. Whether or not you are able to attend the Annual General Meeting in person, please complete and return the form of proxy in accordance with the instructions printed thereon to the principal office of the Company at Suite No. 3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjourned meeting (as the case may be) should you so wish.

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

Mr. Mak Shiu Chung, Godfrey, Mr. Wang Hon Chen and Mr. Kwok Chi Shing will retire at the Annual General Meeting and such directors, being eligible, will offer themselves for re-election.

Brief biographical details of the above Directors who are proposed to be re-elected at the Annual General Meeting are set out in Appendix III to this circular.

VOTING BY POLL

In line with the recent changes to the GEM Listing Rules whereby all resolutions at general meeting must be taken by poll, the chairman of the Annual General Meeting will demand for a poll for all resolutions put forward at the Annual General Meeting.

RECOMMENDATION

The Directors consider that the Bonus Issue, the granting of the general mandates to issue Shares and repurchase Shares, and the re-election of Directors, are in the best interests of the Company and the Shareholders and therefore recommend you to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

GENERAL INFORMATION

Your attention is drawn to the information set out in appendices to this circular.

Yours faithfully,
Mak Shiu Chung, Godfrey
Chairman

RESPONSIBILITY STATEMENT

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

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

COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, management shareholders or their respective associates had any interest in any business which competes or may compete or had any other conflicts of interests with the business of the Group.

MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Group in the two years immediately preceding the date of this circular and are or may be material.

- (i) the joint venture agreement dated 1 June 2007 entered into between Harvest Team (China) Limited (富添(中國)有限公司), an indirect wholly-owned subsidiary of the Company and 內蒙古源源能源有限責任公司 (Inner Mongolia Yuan Yuan Energy Resources Company Limited*) (“Yuan Yuan”) for the establishment of 內蒙古金源里井工礦業有限公司 (Inner Mongolia Jinyanli Underground Mining Company Limited*) (the “First JV Company”);
- (ii) the joint venture agreement dated 1 June 2007 entered into between Kotan Resources (China) Limited (高達資源(中國)有限公司) (“KRL”), an indirect wholly-owned subsidiary of the Company and Yuan Yuan for the establishment of 通遼弘源煤炭運銷有限責任公司 (Tongliao Hongyuan Coal Transportation and Sales Company Limited*) (the “Second JV Company”);
- (iii) the agreement entered into between the First JV Company and Yuan Yuan on 1 June 2007 for the purchase by the First JV Company from Yuan Yuan of coal required by the First JV Company on an ongoing basis and the lease by the First JV Company from Yuan Yuan of a station platform for the transportation of coal on an ongoing basis;

- (iv) the agreement entered into between the Second JV Company and Yuan Yuan on 1 June 2007 for the purchase by the Second JV Company from Yuan Yuan of coal required by the Second JV Company on an ongoing basis and the lease by the Second JV Company from Yuan Yuan of a station platform for the transportation of coal on an ongoing basis;
- (v) the equity transfer agreement entered into between KRL and Yuan Yuan in relation to the acquisition of 51% equity interest in 吉林省德峰物資經貿有限責任公司 (Jilin De Feng Material Trading Company Limited*) (“De Feng”) dated 24 April 2008; and
- (vi) the agreement entered into between De Feng and Yuan Yuan on 3 December 2008 for the purchase by De Feng from Yuan Yuan of coal required by De Feng on an ongoing basis and the lease by De Feng from Yuan Yuan of a station platform for the transportation of coal on an ongoing basis.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Suite No. 3, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong during normal business hours on any weekday (public holidays excepted) from the date of this circular up to and including the 14th day from the date of this circular.

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the years ended 31 December 2006, 2007 and 2008;
- (iii) the material contracts referred to in paragraph headed “Material Contracts” of this appendix;
- (iv) the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
- (v) a copy of each of the circulars issued pursuant to the requirements set out in Chapter 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2008, the date of the latest published audited consolidated financial statements of the Group was made up; and
- (vi) this circular.

This is an explanatory statement given to all Shareholders relating to the resolution no. 6B to be proposed at the Annual General Meeting authorising the repurchase mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 of the GEM Listing Rules which is set out as follows:

1. Exercise of the repurchase mandate

The Company's authority is restricted to purchases made on the Stock Exchange in accordance with the GEM Listing Rules. For your information, on the Latest Practicable Date, there were in issue an aggregate of 423,552,000 Shares. Accordingly, the exercise in full of the repurchase mandate, on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and prior to the date of the Annual General Meeting, would result in up to 42,355,200 Shares being repurchased by the Company. Furthermore, the general mandate covers purchases made only during the period ending on 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 to be held by law or the Articles of Association; and (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

2. Reasons for repurchases

The Directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such purchase when appropriate and beneficial to the Company. Such repurchases may enhance the net value of the Company and/or earnings per share.

3. Funding of repurchases

The Company is empowered by the Articles of Association to purchase its Shares. In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. The Company may not repurchase Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the listing rules of the Stock Exchange from time to time. Under the laws of the Cayman Islands, the Shares so repurchased will be treated as cancelled and the amount of the Company's issued capital shall be diminished accordingly, but the aggregate amount of authorised share capital of the Company will not be reduced.

4. General

If the repurchase mandate were exercised in full, there could be a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group (as compared with the position disclosed in the audited financial statements for the year ended 31 December 2008). The Directors therefore do not propose to exercise the repurchase mandate to such an extent.

5. Share prices

The Company has not repurchased any of its Shares (whether on GEM or otherwise) in the six months preceding the date of this circular.

The highest and lowest prices at which Shares have been traded on GEM during each of the previous twelve months and up to and including the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2008		
March	0.83	0.75
April	0.94	0.77
May	1.37	0.92
June	1.39	1.18
July	1.24	0.87
August	0.97	0.85
September	0.92	0.64
October	0.60	0.30
November	0.41	0.31
December	0.37	0.31
2009		
January	0.37	0.29
February	0.50	0.31
March (up to the Latest Practicable Date)	0.67	0.47

6. Directors and connected persons

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, their respective associates, has any present intention, in the event that the grant to the Directors of a repurchase mandate is approved by the Shareholders, to sell any Shares to the Company.

No connected persons (as defined in the GEM Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so in the event that the repurchase mandate is approved by the Shareholders. In accordance with the GEM Listing Rules, the Company is prohibited from knowingly purchase Shares from a connected person on GEM and a connected person shall not knowingly sell his Shares to the Company.

7. Undertaking of the Directors

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands and Hong Kong and in accordance with the regulations set out in the Articles of Association.

TAKEOVER CODE

If as a result of a share repurchase, the proportionate interest in the voting rights of the Company held by a Shareholder increases, such increase will be treated as an acquisition for the purposes of the Takeover Code. Accordingly, a Shareholder or parties acting in concert with such Shareholder could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, Lucky Team and Xu Bin held 58,132,000 and 50,960,000, representing approximately 13.72% and 12.03% respectively, of the issued share capital of the Company, were the substantial shareholders holding more than 10% of the Shares in issue. If the power to repurchase Shares pursuant to the repurchase mandate is exercised in full, Lucky Team and Xu Bin would be beneficially interested in 15.25% and 13.37% of the issued share capital of the Company following such repurchase. However, such increase in shareholding of Lucky Team and Xu Bin would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code.

The Directors do not propose to exercise the repurchase mandate to such extent as to result in the number of Shares which are in the hands of the public falling below the prescribed minimum as required by the Stock Exchange.

MAK SHIU CHUNG, GODFREY

Mr. Mak Shiu Chung, Godfrey, aged 46, was appointed as an executive director and chairman of the Company on 27 January 2006 and 15 November 2007, respectively. Mr. Mak has over 18 years of experience in the field of corporate finance, specializing in advisory services for major transactions concerning different sectors. He has participated in various securities and financing activities in Asia. Mr. Mak returned to Hong Kong and joined the Hong Kong Government as an Administrative Officer in 1988. He started his corporate finance career at Morgan Grenfell in 1990. He holds a Bachelor of Science degree in Business Studies from Bradford University School of Management, UK and a Master of Business Administration degree from the University of Wales, UK. Mr. Mak is a Member of the Hong Kong Securities Institute, a Member of The Chartered Institute of Marketing and an Associate of The Institute of Chartered Secretaries and Administrators. Apart from being an executive director and chairman of the Company, Mr. Mak does not hold any other positions in the Company or any member of the Group.

Mr. Mak has not entered into any service contract with the Company and is subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Articles of Association provided that the appointment may be terminated by either party with a written notice of not less than one month unless both parties agree otherwise. Mr. Mak does not have any proposed length of service. Mr. Mak is entitled to a remuneration of HK\$70,000 per month plus discretionary bonus for his directorship in the Company. The emolument is determined with reference to the duties, responsibilities and expected time commitment of Mr. Mak to the Company's affairs.

Save for being an independent non-executive director of Matrix Holdings Limited since 2000 and an executive director of Huafeng Group Holdings Limited (formerly known as Huafeng Textile International Group Limited) from 2003 to 2007, Mr. Mak has not held any directorship in other companies listed on any securities market in Hong Kong or overseas in the past three years.

Other than being interested in 58,132,000 Shares through Lucky Team, which is wholly and beneficially owned by Mr. Mak, Mr. Mak does not have any other interests in the Shares (within the meaning of Part XV of the SFO). Other than being an executive director and chairman of the Company, Mr. Mak does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company (within the meaning of the GEM Listing Rules).

Saved as disclosed herein, there is no other information to be disclosed pursuant to the requirements of Rule 17.50(2) of the GEM Listing Rules and the Board is not aware of any other matters which need to be brought to the attention of the Shareholders.

WANG HON CHEN

Mr. Wang Hon Chen, aged 48, was appointed on 1 March 2007 as an executive director of the Company. Mr. Wang is the general manager of the Group and has over 20 years of experience in the production field. Mr. Wang is responsible for overseeing the operations of Changchun Yicheng Packaging Company Limited, including product development, production process and technical and safety management. He is a member of the People's Congress in Luyuan District, Changchun City, Jilin Province, People's Republic of China. Apart from being an executive director and the general manager of the Group, Mr. Wang does not hold any other positions in the Company or any member of the Group.

Mr. Wang has not entered into any service contract with the Company and is subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Articles of Association provided that the appointment may be terminated by either party with a written notice of not less than one month unless both parties agree otherwise. Mr. Wang does not have any proposed length of service. Mr. Wang is entitled to a remuneration of HK\$16,000 and RMB6,000 per month for his directorship in the Company. The emolument is determined with reference to the duties, responsibilities and expected time commitment of Mr. Wang to the Company's affairs.

Mr. Wang has not held any directorship in other companies listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Wang does not have any interest in the shares of the Company (within the meaning of Part XV of the SFO). Save for being an executive director of the Company and the general manager of the Group, Mr. Wang does not have any other relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company (within the meaning of the GEM Listing Rules).

Saved as disclosed herein, there is no other information to be disclosed pursuant to the requirements of Rule 17.50(2) of the GEM Listing Rules and the Board is not aware of any other matters which need to be brought to the attention of the Shareholders.

KWOK CHI SHING

Mr. Kwok Chi Shing, aged 46, was appointed on 27 January 2006 as an independent non-executive director and a member of the audit committee of the Company. Mr. Kwok is currently the partner of Lam, Kwok, Kwan & Cheng CPA Limited. He graduated from the University of Aberdeen, United Kingdom in 1986 with a Master of Arts Honour Degree in Accountancy with Economics. Mr. Kwok is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok has extensive experience in corporate and financial management work especially for the real estate development and property management industries. He has extensive experience in public sector work both in Hong Kong and China and he was the president of the HK Association of Financial Advisors. Apart from being an independent non-executive director and a member of the audit committee of the Company, Mr. Kwok does not hold any other positions in the Company or any member of the Group.

Mr. Kwok's appointment is not for a fixed term but he will be subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Articles of Association. Mr. Kwok will receive an emolument of HK\$60,000 per annum for his directorship in the Company. The emolument is determined with reference to the duties, responsibilities and expected time commitment of Mr. Kwok to the Company's affairs.

Mr. Kwok does not hold any directorship in other companies listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Kwok does not have any interest in the shares of the Company (within the meaning of Part XV of the SFO). Save that Mr. Kwok is an independent non-executive director of the Company, Mr. Kwok does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company (within the meaning of the GEM Listing Rules).

Saved as disclosed herein, there is no other information to be disclosed pursuant to the requirements of Rule 17.50(2) of the GEM Listing Rules and the Board is not aware of any other matters which need to be brought to the attention of the Shareholders.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and certain aspects of the Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 April 2000 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate, irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law in doing in any part of the world whether as principal, agent, contractor or otherwise whatever may be considered by it necessary for the attainment of its objects, and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 16 August 2001 and subsequently amended on 28 April 2004 and 25 April 2006. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

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

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

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

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

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

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

(iii) Compensation or payments for loss of office

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

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

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

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

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

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

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

- (aa) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

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

(vi) *Remuneration*

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

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

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

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

(vii) Retirement, appointment and removal

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

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following

annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

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

The office or director shall be vacated:

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

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

(viii) Borrowing powers

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

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

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

(x) Register of Directors and Officers

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

(b) Alterations to constitutional documents

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

(c) Alteration of capital

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

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

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

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

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

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

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

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives

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

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

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

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

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

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house is a member of the Company it may authorise such person or persons (or its nominee) as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual member of the Company.

Where any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

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

(h) Accounts and audit

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

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

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles.

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

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

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

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

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

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

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

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;

- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors; and
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital.

(j) Transfer of shares

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

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

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

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

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such

other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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

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

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

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

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

(m) Dividends and other methods of distribution

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

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

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

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

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

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

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

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

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a

proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

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

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

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

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

(p) Inspection of register of members

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

(q) Quorum for meetings and separate class meetings

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

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

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

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

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

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

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

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

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

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

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

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 May 2000.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).