

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

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 September 2009. We have applied for the Certificate of Incorporation of a non-Hong Kong Company under Part XI of the Companies Ordinance on 25 November 2009. Ms. Wong Yuk Hing, Juliana, our company secretary, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. Our principal place of business in Hong Kong is located at Flat A, 8th Floor, Shaw House Lot 220, Clear Water Bay Road, Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant law of the Cayman Islands and its constitution which comprises of a memorandum and articles of association. A summary of certain relevant provisions of its constitution and certain relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation, the authorized share capital of our Company was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. On 11 September 2009, one Share was allotted and issued as nil paid share to Codan Trust Company (Cayman) Limited.
- (b) On 11 September 2009, the one nil paid Share held by Codan Trust Company (Cayman) Limited was transferred to Masteray.
- (c) Pursuant to a resolution passed in a meeting of Directors on 27 November 2009, our Company issued and allotted, at nil paid, 36,834 Shares to Swanland, 41,201 Shares to UGH, 15,786 Shares to Masteray, 15,895 Shares to Notable Success, 3,491 Shares to Excel Direct, 873 Shares to Rochdale, 4,888 Shares to Glory Wood Limited, 1,250 Shares to Starnet Development Overseas Limited, 1,000 Shares to HKUST R&D, 781 Shares to Capital Gain (H.K.) Ltd., 803 Shares to ExcelStor Great Wall Technology Ltd., 781 Shares to Thorough Bred Limited, 781 Shares to Tritec Limited, 688 Shares to Wellcorp Limited, 1,650 Shares to Tang Tai Kwan, Jimmy, 1,650 Shares to Yung Chi Wai, 781 Shares to Yu Wong, Yin Fun, 781 Shares to Wong Yuen Mee, 469 Shares to Dr. Wu Po Him, Philip, 350 Shares to Dr. Curtis Chih-shan Ling, 350 Shares to Professor Ko Ping Keung, 350 Shares to Professor Charles Giona Sodini, 313 Shares to Cheng Miu Wah, Rita and 230 Shares to Chi Hung Hui.
- (d) On 27 November 2009, Shareholders' resolutions were passed to approve, among other things, (i) the increase of authorized share capital of our Company and (ii) the Capitalization Issue.

- (e) On 30 November 2009, pursuant to a share transfer agreement entered into between our Company and the then shareholders of PD (BVI), our Company acquired the entire issued share capital of PD (BVI) from the then shareholders of PD (BVI), comprising the same persons as the then shareholders of our Company immediately prior to the Capitalization Issue and the Share Offer, by crediting all of the 131,977 then nil paid Shares held by the then shareholders of PD (BVI) as fully paid Shares.

Immediately following completion of the Share Offer and the Capitalization Issue and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK\$200,000,000 divided into 2,000,000,000 Shares, of which 600,000,000 Shares will be issued fully paid or credited as fully paid, and 1,400,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of all the Shareholders of our Company passed on 27 November 2009" in this appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this paragraph headed "Changes in share capital of our Company", there has been no alteration in the share capital of our Company since incorporation.

**3. Written resolutions of all the Shareholders of our Company passed on 27 November 2009**

Pursuant to the written resolutions of all the Shareholders of our Company, which were passed on 27 November 2009:

- (a) conditional on (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Share Offer, the Capitalization Issue, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Lead Manager (for itself and on behalf of the Underwriters)) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise, in each case, on or before the day falling 30 days after the date of this prospectus:
- (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms;

- (ii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify or amend the Share Option Scheme from time to time as may be acceptable, or not objected by, or requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;
  
- (b) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make or grant an offer or agreement, or grant securities or options which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue (as defined below), or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription or conversion rights attached to any warrants of our Company if any or pursuant to the exercise of options which have been granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalization Issue but before any exercise of the Over-allotment Option;

For the purpose of this paragraph, “Rights Issue” means an offer of shares in the capital of our Company, or offer or issue of warrants, options or other securities giving rights to subscribe to shares in the capital of our Company open for a period fixed by our Directors to holders of Shares in our Company on the register on a fixed record date in proportion to their holdings of Shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalization Issue but before the exercise of the Over-allotment Option;
- (d) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (b) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the Share Offer and the Capitalization Issue but before the exercise of the Over-allotment Option was approved;
- (e) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorized to allot and issue a total of 449,868,023 Shares, by way of capitalization of the sum of HK\$44,986,802.30 standing to the credit of the share premium account of our Company, credited as fully paid at par to the Shareholders as appearing on the register of members of our Company on the date of this prospectus; and
- (f) the authorized share capital of our Company be increased from HK\$380,000 to HK\$200,000,000 by the creation of 1,996,200,000 Shares of HK\$0.10 each; and
- (g) the Articles be adopted in substitution for and to the exclusion of the then existing articles of association of our Company.

Each of the general mandates referred to in paragraphs (b), (c) and (d) above will remain in effect until whichever is the earliest of:

- (1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our shareholders in a general meeting, either unconditionally or subject to conditions;
- (2) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (3) the time when such mandate is varied or revoked by an ordinary resolution of our shareholders in a general meeting.

#### 4. Corporate Reorganization

In order to rationalize our structure and prepare for the Listing, our Company has undertaken several restructuring steps which involve the following:

- (a) On 11 September 2009, our Company was incorporated in the Cayman Islands as an exempted company and the holding company of our Group. As at the date of incorporation, our Company had an authorized share capital of HK\$380,000 comprising 3,800,000 ordinary shares of HK\$0.10 each. One Share was allotted and issued as nil paid share by our Company to Codan Trust Company (Cayman) Limited.
- (b) On 11 September 2009, the one nil paid Share held by Codan Trust Company (Cayman) Limited was transferred to Masteray.
- (c) On 17 September 2009, pursuant to the resolutions in writing of all shareholders of PD (BVI), PD (BVI) issued and allotted 4,998 shares and 4,778 shares in its share capital to Masteray and UGH, a company wholly-owned by Ms. Leung, Yee Li Lana, the spouse of Mr. Heung, Lap Chi Eugene who is also a director of UGH, respectively, credited as fully paid by capitalizing portions of the outstanding balances of JL Limited and Mr. Heung, Lap Chi Eugene with PD (BVI) as at 17 September 2009.
- (d) Pursuant to a resolution passed in a meeting of Directors on 27 November 2009, our Company issued and allotted, at nil paid, 36,834 Shares to Swanland, 41,201 Shares to UGH, 15,786 Shares to Masteray, 15,895 Shares to Notable Success, 3,491 Shares to Excel Direct, 873 Shares to Rochdale, 4,888 Shares to Glory Wood Limited, 1,250 Shares to Starnet Development Overseas Limited, 1,000 Shares to HKUST R&D, 781 Shares to Capital Gain (H.K.) Ltd., 803 Shares to ExcelStor Great Wall Technology Ltd., 781 Shares to Thorough Bred Limited, 781 Shares to Tritec Limited, 688 Shares to Wellcorp Limited, 1,650 Shares to Tang Tai Kwan, Jimmy, 1,650 Shares to Yung Chi Wai, 781 Shares to Yu Wong, Yin Fun, 781 Shares to Wong Yuen Mee, 469 Shares to Dr. Wu Po Him, Philip, 350 Shares to Dr Curtis Chih-shan Ling, 350 Shares to Professor Ko Ping Keung, 350 Shares to Professor Charles Giona Sodini, 313 Shares to Cheng Miu Wah, Rita and 230 Shares to Chi Hung Hui.
- (e) On 30 November 2009, pursuant to a share transfer agreement entered into between our Company and the then shareholders of PD (BVI), our Company acquired the entire issued share capital of PD (BVI) from the then shareholders of PD (BVI), comprising the same persons as the shareholders of our Company immediately prior to the Capitalization Issue and the Share Offer, by crediting all of the 131,977 then nil paid Shares held by the then shareholders of PD (BVI) as fully paid Shares.

- (f) Conditional upon the share premium account of our Company being credited as a result of the Share Offer, the sum of HK\$44,986,802.30 will be capitalized and applied in paying up in full at par 449,868,023 Shares for allotment and issue of 125,555,506 Shares to Swanland, 140,441,232 Shares to UGH, 53,812,910 Shares to Masteray, 54,181,048 Shares to Notable Success, 11,899,719 Shares to Excel Direct, 2,975,782 Shares to Rochdale, 16,661,652 Shares to Glory Wood Limited, 4,260,856 Shares to Starnet Development Overseas Limited, 3,408,685 Shares to HKUST R&D, 2,662,183 Shares to Capital Gain (H.K.) Ltd., 2,737,174 Shares to ExcelStor Great Wall Technology Ltd., 2,662,183 Shares to Thorough Bred Limited, 2,662,183 Shares to Tritec Limited, 2,345,175 Shares to Wellcorp Limited, 5,624,330 Shares to Tang Tai Kwan, Jimmy, 5,624,330 Shares to Yung Chi Wai, 2,662,183 Shares to Yu Wong, Yin Fun, 2,662,183 Shares to Wong Yuen Mee, 1,598,673 Shares to Dr. Wu Po Him, Philip, 1,193,040 Shares to Dr Curtis Chih-shan Ling, 1,193,040 Shares to Professor Ko Ping Keung, 1,193,040 Shares to Professor Charles Giona Sodini, 1,066,918 Shares to Cheng Miu Wah, Rita and 783,998 Shares to Chi Hung Hui, and such Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares of our Company.

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

### *Subsidiaries of our Company*

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

### *Changes in share capital of the subsidiaries of our Company*

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

- (a) On 28 June 2007, 4,888 and 2,933 shares of US\$0.10 each in the share capital of PD (BVI) were issued and allotted to Glory Wood Limited and Masteray, respectively.
- (b) On 17 August 2007, Swanland transferred 7,856, 3,491 and 873 shares of US\$0.10 each in the share capital of PD (BVI) to Masteray, Excel Direct and Rochdale, respectively.
- (c) On 17 September 2009, 4,998 and 4,778 shares of US\$0.10 each in the share capital of PD (BVI) were issued and allotted to Masteray and UGH, respectively, by way of capitalization of certain portion of loans advanced by JL Limited and Mr. Heung, Lap Chi Eugene to PD (BVI).



- (d) On 30 November 2009, all the then existing shareholders of PD (BVI) transferred all of their shareholdings in PD (BVI) to our Company pursuant to a share transfer agreement dated 30 November 2009 between our Company and each of the then existing shareholders of PD (BVI).

Save as mentioned in the paragraph headed "Corporate Reorganization" in this Appendix and as described in this paragraph, there have been no changes in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase by our Company of our own securities

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

### (a) Provisions of the GEM Listing Rules

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

#### (i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of our Company passed on 27 November 2009 by all the Shareholders of our Company, a general unconditional mandate was given to the Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on GEM) with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue or to be issued immediately following the completion of the Share Offer (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the earliest of: (i) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or (iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting whichever shall first occur; details of which have been described above in the paragraph headed "Written resolutions of all the Shareholders of our Company passed on 27 November 2009".

(ii) Source of funds

Any repurchases of Shares by our Company must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum and Articles of Association, GEM Listing Rules and the Companies Law. We may not repurchase our own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchase of Shares by our Company may be made out of funds legally permitted to be utilized in this connection, including profits of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, if so authorized by the Articles of Association of our Company and subject to the provisions of the Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be purchased must be paid out of profits of our Company or out of our Company's share premium account, or if so authorized by the Articles of Association of our Company and subject to the provisions of the Companies Law, out of capital.

(iii) Shares to be repurchased

The GEM Listing Rules provide that the Shares which are proposed to be repurchased by our Company must be fully-paid up.

*(b) Reasons for repurchases*

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

*(c) Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

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



(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company.

Our 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 and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to any repurchase mandate.

Our Company has not made any repurchases of our own securities in the past six months.

No connected person (as defined in the GEM Listing Rules) has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if any repurchase mandate is exercised.

## FURTHER INFORMATION ABOUT OUR COMPANY'S BUSINESS

### 1. Summary of the Material Contracts

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





- (a) a deed of undertaking dated 17 September 2009 entered into between JL Limited and UGH in favour of PD (BVI) pursuant to which JL Limited and UGH undertake to, among other things, bear certain expenses in connection with the Listing;
- (b) a deed of confirmation dated 30 September 2009 entered into by JL Limited in favour of PD (BVI) pursuant to which JL Limited confirms, among other things, the outstanding principal amount of the loans made by JL Limited to PD (BVI) as at the date of the deed;

- (c) a deed of confirmation dated 31 October 2009 entered into by Dr. Wu Po Him, Philip in favour of PD (BVI) pursuant to which Dr. Wu Po Him, Philip confirms, among other things, the outstanding principal amount of a loan made by him to PD (BVI) as at the date of the deed;
- (d) a share transfer agreement dated 30 November 2009 entered into between PD (BVI), our Company and the shareholders of PD (BVI), namely, Masteray, Swanland, Excel Direct, Rochdale, UGH, Notable Success, Glory Wood Limited, Starnet Development Overseas Limited, HKUST R&D, ExcelStor Great Wall Technology Ltd., Capital Gain (H.K.) Ltd., Thorough Bred Limited, Tritec Limited, Wellcorp Limited, Dr. Wu Po Him, Philip, Tang Tai Kwan, Jimmy, Yuy Chi Wai, Wong Yuen Mee, Yu Wong, Yin Fun, Prof. Ko Ping Keung, Dr. Curtis Chih-Shan Ling, Prof. Charles Giona Sodini, Cheng Miu Wah, Rita and Chi Hung Hui (together the “**PD (BVI) Shareholders**”), pursuant to which the PD (BVI) Shareholders transferred their respective shareholdings in PD (BVI) in consideration of the crediting as fully-paid the then nil-paid shares in the share capital of our Company held by each of the PD (BVI) Shareholders.
- (e) a deed of indemnity dated 30 November 2009 entered into between the Controlling Shareholders and our Company pursuant to which each of the Controlling Shareholders has given certain indemnities in favor of our Group containing, among others, the indemnities referred to under the sub-paragraph headed “The deed of indemnity dated 30 November 2009” under the paragraph headed “Other information” in this Appendix;
- (f) a deed of non-competition dated 30 November 2009 entered into between the Controlling Shareholders and our Company pursuant to which each of the Controlling Shareholders has given certain undertaking and covenants in favour of our Group referred to under the paragraph headed “Non-competition undertaking” in the section headed “Relationship with Controlling Shareholders” in this prospectus;
- (g) a corporate investor agreement dated 2 December 2009 entered into between Kingbo Investments Limited, our Company and the Lead Manager, pursuant to which Kingbo Investments Limited agreed to subscribe for such number of Shares as is equal to HK\$18 million divided by the Offer Price (rounded down to the nearest board lot of 5,000 Shares) in the Placing;
- (h) the Underwriting Agreement dated 3 December 2009 entered into between, among others, our Company, the Sponsor, the Lead Manager and the Underwriters relating to the Share Offer.


## 2. Intellectual property rights of our Group

### Trademarks

As at the Latest Practicable Date, members of our Group had registered the following trademarks:

Trademark	Place of registration	Class <sup>(1)</sup>	Registration number	Registration date	Expiry date
	HK	9	301321226	8 April 2009	7 April 2019
	HK	9	301316998	1 April 2009	31 March 2019
	PRC	9	3153881	14 June 2003	13 June 2013
	PRC	9	3153879	14 June 2003	13 June 2013

As at the Latest Practicable Date, members of our Group had applied for registration of the following trademarks:

Name of applicant	Trademark	Place of application	Class	Application number	Application date
PD (HK)	L I V E - L I T E	PRC	9	7597081	5 August 2009
PD (HK)	L I V E - L I T E	PRC	10	7597122	5 August 2009
PD (HK)	L I V E - L I T E	HK	9	301385244	15 July 2009
PD (HK)		HK	9	301385235	15 July 2009

Note:

(1) The following classes cover in the PRC, the products specified below among other things.

*Domain Names*

As at the Latest Practicable Date, members of our Group had registered the following domain names:

Registrant	Domain Name	Date of registration	Expiry Date
PD (HK)	www.perceptiondigital.com	11 March 1999	11 March 2010

*Patents*

As at the Latest Practicable Date, members of our Group had registered the following patents:

Description	Registrant	Place of registration	Patent number	Granted date
MP4播放器 (PD6160)(Fitness MP4*)	PD Shenzhen	PRC	200830106099.9	9 September 2009
Battery operated portable electronic device having dual batteries	PD (HK)	United States	US 7,573,154 B2	11 August 2009
Personal Audio Player	PD (HK)	United States	US 7,571,015 B2	4 August 2009
Digital multimedia jukebox	Dr. Lau, Prof. Tsui, Prof. Cheng, Chi Wai Yung, Jimmy, Tai Kwan, Kin Ping Ng, Sai Kit Lai, Kai Kin Chan, Wing Chau Chan <sup>(note)</sup>	United States	US 7,548,851 B1	16 June 2009
一種運動時連續監測生命體征參數的傳感裝置 (An apparatus for sensing vital sign during exercise*)	PD Shenzhen; PD (HK)	PRC	ZL 2008 2 0004147.8	25 February 2009
相框 (Photo frame*)	PD Shenzhen; PD (HK)	PRC	ZL 2007 3 0159199.3	24 September 2008
一種用於電子設備的儲能裝置 (An apparatus for storing electrical energy in electronic devices*)	PD Shenzhen; PD (HK)	PRC	ZL 2007 2 0152257.4	17 September 2008

*Note:* The registrants have assigned the patent to our Group, subject to successful registration of the change of registrant with the patent registration authority in the relevant territory.

Description	Registrant	Place of registration	Patent number	Granted date
用於顯示數碼圖片的電子顯示裝置 (An apparatus for displaying digital images*)	PD Shenzhen; PD (HK)	PRC	ZL 2007 2 0152256.x	10 September 2008
Combination cooking utensil	PD (HK)	United States	US 7,409,765 B2	12 August 2008
Media center	PD (HK)	United States	US D547,326 S	24 July 2007
MP3播放器 (MP3 Player*) (PD208)	PD Shenzhen	PRC	ZL 2006 3 0016082.5	7 February 2007
MP3播放器 (MP3 Player*) (PD135-02)	PD Shenzhen	PRC	ZL 2006 3 0052708.8	3 January 2007
MP3播放器 (MP3 Mini-HiFi*) (PD5000)	PD Shenzhen	PRC	ZL 2005 3 0074324.1	4 October 2006
MP3播放器 (MP3 Player*) (PD3000)	PD Shenzhen	PRC	ZL 2005 3 0075807.3	30 August 2006
Media center (Moses design patent)	PD (HK)	EU	000498001-0001	20 June 2006
MP3播放器 (MP3 Player*)	PD Shenzhen	PRC	ZL 2005 3 0058420.7	8 February 2006

As at the Latest Practicable Date, we were in the process of applying for the registration of the following patents:

Description	Applicant	Place of application	Application number	Application date
耳塞式耳機(Earphone device for alleviating vibration*)	PD Shenzhen	PRC	PCT/CN2009/074953	16 November 2009
健康手機(Healthcare mobile phone*)	PD Shenzhen; PD (HK)	PRC	200920204782.5	14 September 2009
耳機裝置(Earphone with health and exercise monitoring functions*)	PD Shenzhen; PD (HK)	PRC	200910189687.7	31 August 2009
Method and apparatus for improving the accuracy of accelerometer	PD (HK)	United States	12/549,720	28 August 2009

Description	Applicant	Place of application	Application number	Application date
手持式電子設備及其控制顯示內容的方法 (Portable electronic device and methods for controlling its display content*)	PD Shenzhen; PD (HK)	PRC	200910108899.8	12 August 2009
耳塞式耳機 (Earbud design for alleviating vibration*)	PD Shenzhen; PD (HK)	PRC	200920131840.6	18 May 2009
遙控裝置 (Gesture enabled remote control*)	PD Shenzhen; PD (HK)	PRC	200920131115.9	28 April 2009
三軸加速度計的精度調整裝置與調整方法 (Apparatus and method of adjusting the accuracy of three-axis accelerometer*)	PD Shenzhen; PD (HK)	PRC	200910106725.8	17 April 2009
便携式播放器 (Portable player*)	PD Shenzhen; PD (HK)	PRC	200920130337.9	3 April 2009
MP3播放器 (MP3 Player*) (PD6810)	PD Shenzhen; PD (HK)	PRC	200930164255.1	27 March 2009
Exercise device, sensor and method of determining body parameters during exercise	PD (HK)	EU	09250024.8	6 January 2009
Apparatus and a method for monitoring physical exercise	PD (HK)	United States	12/342,678	23 December 2008
影音播放器 (Waterproof multimedia player*)	PD Shenzhen; PD (HK)	PRC	200820235337.0	19 December 2008
Exercise device, sersor and method of determining body parameters during exercise	PD (HK)	United States	12/195,502	21 August 2008
計步方法、步幅校正方法、測距方法及計步裝置 (Method and apparatus of counting step and distance travelled*)	PD Shenzhen; PD (HK)	PRC	200810142474.4	19 August 2008
帶計步器的多媒體裝置及其控制方法 (Method and apparatus of controlling media player with pedometer*)	PD Shenzhen; PD (HK)	PRC	200810142396.8	18 August 2008



Description	Applicant	Place of application	Application number	Application date
一種處理在運動時獲取的生命體征信號的方法及裝置 (A method for retrieving vital sign during exercise*)	PD Shenzhen; PD (HK)	PRC	200810006882.7	3 February 2008
根據生命體征參數即時調節出的多媒體裝置及方法 (An apparatus and method for adjusting multimedia player output*)	PD Shenzhen; PD (HK)	PRC	200810006883.1	3 February 2008
Melody retrieval system	PD (BVI)	United States	11/953,215	10 December 2007
便携式媒體播放機更新媒體內容的方法 (Method of updating contents in a portable player*)	PD Shenzhen; PD (HK)	PRC	200710123503.8	29 June 2007
Electronic display device for displaying digital images	PD (HK)	United States	11/736,122	17 April 2007
Method of providing media content for a portable media player	PD (HK)	United States	11/690,263	23 March 2007
Method of automatically selecting multimedia files for transfer between two storage mediums	PD (HK)	United States	11/465,585	18 August 2006
Fast algorithm for building multimedia library database	PD (HK)	United States	11/417,215	4 May 2006
Multimedia devices with enhanced functionality	PD (HK)	United States	11/113,032	25 April 2005

*Note:* From the experience of our Group, it is not uncommon to take more than three years to obtain government approvals for patent applications, in particular in developed countries such as the US and we in general took two to five years to complete a patent application. We therefore do not consider having any difficulties in obtaining government approvals for our patent applications.

*Copyright*

As at the Latest Practicable Date, members of our Group had registered the following copyrights in the PRC:

Description	Registrant	Place of registration	Patent number	Registration date
PD5000迷你高保真音響系統V1.0	PD Shenzhen	PRC	2007SR10940	25 March 2007
PD510便携式袖珍DAB系統V1.0	PD Shenzhen	PRC	2007SR10941	31 March 2007
PD6810 Heart Pal應用軟體 簡稱：Heart Pal	PD Shenzhen	PRC	2009SR023746	30 July 2008

### 3. FURTHER INFORMATION ABOUT MEMBERS OF OUR GROUP

#### (a) PD (BVI)

Name of the company	Perception Digital Technology (BVI) Ltd.
Place of incorporation	BVI
Date of incorporation	25 February 2000
Public or private	Private
General nature of business	Investment holding
Authorized share capital	500,000 shares of US\$0.1 par value each
Issued share capital	131,977 shares of US\$0.1 par value each
Attributable interest of our Company	100%

#### (b) PD (HK)

Name of the company	Perception Digital Limited
Place of incorporation	Hong Kong
Date of incorporation	22 January 1999
Public or private	Private

General nature of business	Currently engaged in research and development of consumer electronic devices and technologies utilized in such devices and the sale and/or licensing (as applicable) of such self-developed consumer electronic devices and technologies.
----------------------------	---

Authorized share capital	100,000 shares of HK\$1.00 par value each
--------------------------	---

Issued share capital	67,690 shares of HK\$1.00 par value each
----------------------	--

Attributable interest of our Company	100%
--------------------------------------	------

**(c) PD Trading**

Name of the company	PD Trading (Hong Kong) Limited
---------------------	--------------------------------

Place of incorporation	Hong Kong
------------------------	-----------

Date of incorporation	11 September 2000
-----------------------	-------------------

Public or private	Private
-------------------	---------

General nature of business	Trading and provision of logistics services.
----------------------------	--

Authorized share capital	100,000 shares of HK\$1.00 par value each
--------------------------	---

Issued share capital	2 shares of HK\$1.00 par value each
----------------------	-------------------------------------

Attributable interest of our Company	100%
--------------------------------------	------

**(d) IWC**

Name of the company	IWC Digital Limited
---------------------	---------------------

Place of incorporation	Hong Kong
------------------------	-----------

Date of incorporation	10 March 2000
-----------------------	---------------

Public or private	Private
-------------------	---------

General nature of business	Inactive
----------------------------	----------

Authorized share capital	1,000 shares of HK\$1.00 par value each
--------------------------	---

Issued share capital	2 shares of HK\$1.00 par value each
----------------------	-------------------------------------

Attributable interest of our Company	100%
--------------------------------------	------

**(e) PD Shenzhen**

Name of the company	幻音科技(深圳)有限公司 (Perception Digital Technology (Shenzhen) Limited)
Nature of the company	Wholly foreign-owned enterprise
Term of business operation	From 22 November 2001 to 22 November 2021
Registered capital	HK\$8,000,000
Total investment	HK\$8,400,000
Attributable interest of our Company	100%
Scope of business	<p>Developing multimedia hardware and Internet communication application devices and selling self-developed products; developing multimedia software and Internet communication software and selling self-developed software;</p> <p>Developing, wholesaling, importing and exporting MP3, MP4, mobile phones, Bluetooth earphones, mobile televisions, digital photo frames, mini water-proof televisions and security cameras, and undertaking the relevant business of such products.</p>
Legal representative	Dr. Lau

#### 4. FURTHER INFORMATION ABOUT THE DIRECTORS

##### a. Particulars of Directors' service contracts

Each of our Directors has entered into a service contract with our Company for an initial term of 3 years commencing from the date on which our Shares are listed on GEM, which will continue thereafter until terminated by not less than 6 months notice in writing served by either party on the other.

Each of the Directors is entitled to the respective basic salary set out below. Directors' fees are subject to approval by Shareholders at our Company's annual general meeting. Each Director may also receive a year end bonus in respect of each financial year of our Company. The amount of such bonus will be determined by the remuneration committee of the Board, subject to the approval by Shareholders in general meeting.

We may terminate the service agreements entered into with our Directors prior to the expiry of their term by service of notice in writing if any of these Directors, among other things, is disqualified to act as a director under any applicable law or rules prescribed by the Stock Exchange or the SFC, found guilty of misconduct or default in the course of his employment or commit any serious or persistent breach of any of his/her obligations to our Group, convicted of any criminal offence punishable by imprisonment or be convicted of racketeering or dishonesty or became bankrupt. None of these Directors will be entitled to any benefits upon termination of their respective service agreements.

All necessary and reasonable travel and other out-of-pocket expenses properly incurred by the Directors in the process of discharging their duties on behalf of our Group will be borne by our Company.

Name	Annual basic salary
Dr. Lau	nil
Prof. Tsui	HK\$240,000
Prof. Cheng	HK\$180,000
Mr. Chui, Shing Yip Jeff	nil
Prof. Chu Ching Wu, Paul	HK\$180,000
Dr. Lam Lee Kiu-yue, Alice Piera	HK\$180,000
Dr. Wu Po Him, Philip	HK\$180,000
Mr. Shu Wa Tung, Laurence	HK\$180,000

The current basic annual salaries of our executive Directors are as follows:

Name	Annual salary
Dr. Lau	HK\$600,000
Prof. Tsui	nil
Mr. Chui, Shing Yip Jeff	HK\$899,400

Pursuant to their respective service agreements, each executive Director shall not, at any time during the period of his employment with our Company and for a period of 12 months after the expiry or termination of his employment, within any country which our Group has operations in or carried on business at the time of the termination of the service agreement as the case may be, accept any office or employment or engage or be concerned or interested directly or indirectly in any business or occupation or hold an investment in any company which is in competition, directly or indirectly, with the business carried on by our Company or any Group company.

Save as disclosed in the paragraph above, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

**b. Directors' remuneration during the Track Record Period**

Our Company's policies concerning remuneration of executive Directors are (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to our Company; and (ii) non-cash benefits may be provided to our Directors under their remuneration package.

For each of the two years ended 31 December 2007 and 2008, and the six months ended 30 June 2009, the aggregate of the remuneration paid and benefits in kind granted to the directors by our Company and our subsidiaries was HK\$1.3 million, HK\$2.0 million and HK\$0.8 million, respectively.

Save as disclosed in the paragraph above, no other emoluments have been paid or are payable, in respect of the two years ended 31 December 2007 and 2008 by our Company to our Directors.

Under the arrangements currently in force, our Company estimates that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) by our Company for the year ending 31 December 2009 will be approximately HK\$1.6 million.



## DISCLOSURE OF INTERESTS

## 1. Disclosure of Interests

(a) *Interests and short positions of our Directors in the share capital of our Company and our associated corporations following the Share Offer and the Capitalization Issue*

Immediately following completion of the Share Offer and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of our Company and our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

Interests and short positions in the Shares, underlying shares and debentures of our Company and our associated corporations:

**Long positions in our Company**

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of interest in our Company/ associated corporations
Dr. Lau	Deemed interest <sup>(1)</sup>	179,421,037	29.9%
Prof. Tsui	Interest in a controlled corporation <sup>(2)</sup>	11,903,210	2.0%
Mr. Chui, Shing Yip Jeff	Interest in a controlled corporation <sup>(3)</sup>	16,666,540	2.8%
Prof. Cheng	Interest in a controlled corporation <sup>(4)</sup>	2,976,655	0.5%
Dr. Wu, Po Him, Philip	Beneficial owner	1,599,142	0.3%

*Notes:*

- (1) Dr. Lau is deemed to be interested in the Shares held by Swanland and Masteray, by virtue of these two companies being controlled by Ms. Loh. Dr. Lau, the husband of Ms. Loh, is deemed to be interested in his wife's interests in Swanland and Masteray.
- (2) Prof. Tsui is deemed to be interested in the Shares held by Excel Direct by virtue of Excel Direct being controlled by Prof. Tsui.
- (3) Mr. Chui, Shing Yip Jeff is deemed to be interested in the Shares held by Glory Wood Limited by virtue of Glory Wood Limited being controlled by Mr. Chui, Shing Yip Jeff.
- (4) Prof. Cheng is deemed to be interested in the Shares held by Rochdale by virtue of Rochdale being controlled by Prof. Cheng.

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

Immediately following completion of the Share Offer and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, in addition to the interests disclosed under paragraph (a) above, so far as our Directors are aware, the following persons are expected to have interests or short positions in the Shares or underlying shares of our Company which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Interests and short positions in the Shares and underlying shares of our Group:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Swanland	Beneficial owner	125,592,340	20.9%
Masteray	Interest in a controlled corporation <sup>(1)</sup>	125,592,340	20.9%
	Beneficial owner	53,828,697	9.0%
Ms. Loh	Interest in a controlled corporation <sup>(2)</sup>	179,421,037	29.9%
UGH	Beneficial owner	140,482,433	23.4%
Ms. Leung, Yee Li Lana	Interest in a controlled corporation <sup>(3)</sup>	140,482,433	23.4%
Mr. Heung, Lap Chi Eugene	Interest of spouse <sup>(4)</sup>	140,482,433	23.4%

*Notes:*

- (1) Masteray is deemed to be interested in the Shares held by Swanland by virtue of Swanland being controlled by Masteray.
- (2) Ms. Loh is deemed to be interested in the Shares held by Swanland and Masteray, by virtue of Swanland being controlled by Masteray and Masteray is being controlled by Ms. Loh. Dr. Lau, the husband of Ms. Loh, is deemed to be interested in his wife's interests in Masteray.
- (3) Ms. Leung, Yee Li Lana is deemed to be interested in our Shares held by UGH by virtue of UGH being controlled by Ms. Leung, Yee Li Lana. Mr. Heung, Lap Chi Eugene, the husband of Ms. Leung, Yee Li Lana, is deemed to be interested in his wife's interests in UGH.
- (4) Mr. Heung, Lap Chi Eugene is the spouse of Ms. Leung, Yee Li Lana and is therefore deemed to be interested in all the Shares held by Ms. Leung, Yee Li Lana by virtue of the SFO.

**2. Disclaimers**

Save as disclosed in the paragraph headed "Disclosure of Interests" in this Appendix VI to this prospectus:

- (a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Share Offer (taking no account of the Over-allotment Option or any Shares which may be issued pursuant to the grant of Shares under the Share Scheme or the exercise of options under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group;
- (b) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed under the paragraph headed "Other information – Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

- (d) none of our Directors nor any of the parties listed in the section headed “Other information – Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company’s business;
- (e) save in connection with the Underwriting Agreement, none of the parties listed in the section headed “Other information – Consents of experts” in this Appendix:
  - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their associates (as defined in the GEM Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our Company’s issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

## OTHER INFORMATION

### 1. The deed of indemnity dated 30 November 2009

The Controlling Shareholders (collectively “Indemnifiers”) have entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) (being the material contract (e) referred to in the paragraph headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group and/or our associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the date on which the Share Offer becomes unconditional.

Under the deed of indemnity, the Indemnifiers have also given indemnities to the Group in relation to taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands, the BVI and the PRC.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company and our subsidiaries for the two years ended 31 December 2008 and the six months ended 30 June 2009 (the “Accounts”) and provision will be made in the audited accounts of our Company and our subsidiaries covering the period from 1 July 2009 to the Listing Date on a basis consistent with that made in the Accounts; or
- (b) to the extent that such taxation or liability for such taxation falling on any member of our Group in respect of their accounting periods commencing on 1 July 2009 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected, by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2009 or pursuant to any statement of intention made in this prospectus; or
  - (iii) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation; or
- (c) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2009 and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this item (d) to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifiers have also undertaken to indemnify, on a joint and several basis, our Group against costs, expenses, claims, liabilities, penalties, losses and damages (including, but not limited to, any relocation or destruction cost) incurred or suffered by our Company or any member of our Group arising from or in connection with any failure of our Company, any members of our Group or any parties from whom our Company or any member of our Group purchased, leased or obtained licence or permit to use any property interests owned, leased, licensed or otherwise used or occupied by our Company or any member of our Group (the “**Relevant Property**”), to obtain any property ownership certificate, certificate of title, approval, permit, consent or registration in respect of the Relevant Property.

## **2. Litigation**

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition.

## **3. Preliminary Expenses**

Our Company’s estimated preliminary expenses are approximately HK\$30,000 and are payable by our Company.

## **4. Sponsor**

The Sponsor made an application on our Company’s behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, the grant of Shares that may be granted under the Share Scheme and the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

## **5. No Material Adverse Change**

Our Directors confirm that there has been no material adverse change in their financial or trading position or prospects since 30 June 2009 (being the date to which our Company’s latest audited combined financial statements were made up).

## **6. Binding Effect**

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

## **7. Miscellaneous**

Save as disclosed in the section headed “Financial information” in this prospectus and Appendix VI to this prospectus, within the two years immediately preceding the date of this prospectus,



- (a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (e) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
- (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (g) our Company has no outstanding convertible debt securities.

**8. Qualifications of experts**

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

<b>Name</b>	<b>Qualification</b>
Quam Capital Limited	Licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified public accountants
King & Wood PRC Lawyers	PRC legal advisors to our Company legal counsel
Conyers Dill & Pearman	The Cayman Islands legal advisors to our Company
Greater China Appraisal Limited	Independent professional surveyors and valuers

## 9. Consents of experts

Each of Quam Capital Limited, Ernst & Young, King & Wood PRC Lawyers, Conyers Dill & Pearman and Greater China Appraisal Limited has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

## 10. Bilingual prospectus

Pursuant to Rule 14.25 of the GEM Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time at each place where this prospectus is distributed by or on behalf of our Company.

## SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a written resolution of our Shareholders passed on 27 November 2009 and adopted by a resolution of the Board on 27 November 2009. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As at the Latest Practicable Date, no option has been granted pursuant to the Share Option Scheme.

### Purpose

The purpose of the Share Option Scheme is to motivate Eligible Persons (as defined below) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

### Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date (the “**Approval Date**”) on which the following conditions are fulfilled:

- the approval of all the shareholders of our Company for the adoption of the Share Option Scheme; and
- the approval of the Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options (as defined below) in accordance with the terms and conditions of the Share Option Scheme.

### Who may join

The Board may, at its absolute discretion, offer options (“**Options**”) to subscribe to such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Employee**”), any full-time or part-time Employee, or a person for the time being seconded to work fulltime or part-time for any member of our Group (“**Executive**”);
- a director or proposed director (including an independent non-executive director) of any member of our Group;
- a direct or indirect shareholder of any member of our Group;
- a supplier of goods or services to any member of our Group;
- a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- an associate of any of the foregoing persons. (the persons referred above are the “**Eligible Persons**”)

**Maximum number of Shares**

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) provided that our Company may at any time as the Board may think fit, seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of the Shares in issue as at the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed.

Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of our Company’s issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

**Maximum entitlement of each participant**

No Options may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of our Company’s issued share capital from time to time.

**Offer and grant of Options**

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years after the Approval Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

Subject to the provisions of the GEM Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions

or obligations or the time or period when the right to exercise the Option in respect of all or some of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

### **Granting Options to Connected Persons**

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the GEM Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (where the securities are listed on GEM), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by Shareholders (voting by way of a poll). Our Company shall send a circular to Shareholders containing the information required under the GEM Listing Rules. All connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from the shareholders of our Company is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

### **Offer period and number accepted**

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of

the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.0 by way of consideration for the grant thereof is received by our Company on or before 30 days after the offer date. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on GEM or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option.

#### **Restriction on the time of grant of Options**

The Board shall not grant any Option under the Share Option Scheme after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period, and ending on the date of the results announcements.

#### **Exercise price**

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- the nominal value of a Share;
- the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

#### **Exercise of Option**

An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the option period in the manner as set out in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given.

The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

Subject as hereinafter provided:

- in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
- in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
  - the option period (in respect of any particular Option, the period commencing immediately after the Business Day on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by the Directors to each grantee provided that such period shall not exceed the

period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);

- the period of two months from the date of such notice; or
- the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option.

- in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

### Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the reopening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date herefore shall be before the allotment date.

Any Shares issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.



**Life of Share Option Scheme**

Subject to the terms of this Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

**Lapse of Share Option Scheme**

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

- the expiry of the option period;
- the expiry of any of the period referred to paragraphs related to exercise of Option;
- subject to the period mentioned in the section headed “Exercise of Option” in this Appendix, the date of the commencement of the winding-up of our Company;
- there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts; or
- a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

**Adjustment**

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- the maximum number of Shares subject to the Share Option Scheme; and/or
- the aggregate number of Shares subject to the Option so far as unexercised; and/or
- the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 23 of the GEM Listing Rules and supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes); and
- the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

*Cancellation of Options not exercised*

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- the grantee makes a written request to the Board for the Option to be cancelled; or
- if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

**Termination**

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

**Transferability**

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

**Amendment**

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the GEM Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 23.03 of the GEM Listing Rules to the advantage of Grantee; and (iii) any alteration to the aforesaid termination provisions.

**Conditions of the Share Option Scheme**

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- the approval of all the Shareholders for the adoption of the Share Option Scheme; and
- the approval of the Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme.