

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. INCORPORATION**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 27th February, 2002 with an authorised share capital of HK\$400,000 divided into 40,000,000 Shares, one of which was allotted and issued nil paid to Codan Trust Company (Cayman) Limited on 13th March, 2002. On the same date, Codan Trust Company (Cayman) Limited transferred the one Share to Mr. K W Cheng at nil consideration. The one Share was subsequently paid up in the manner described in the paragraph headed “Group reorganisation” below.

The Company has established a place of business in Hong Kong at 5th Floor, Unison Industrial Centre, 27-31 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong. The Company was registered as an oversea company under Part XI of the Companies Ordinance on 15th August, 2002. Mr. K W Cheng and Mr. K C Cheng, both being Directors, were appointed as agents of the Company for the acceptance of service of process and any notices required to be served on the Company in Hong Kong. The Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of Cayman Islands company law is set out in Appendix III to this prospectus.

2. CHANGES IN SHARE CAPITAL

Pursuant to the resolutions in writing of all the Shareholders passed on 23rd October, 2002, the authorised share capital of the Company was increased to HK\$100,000,000 by the creation of a further 9,960,000,000 Shares, 999,999 of which were on that date issued credited as fully paid as described in the paragraph headed “Group reorganisation” below.

Immediately following the Share Offer and the Capitalisation Issue becoming unconditional and the issue of Shares as mentioned herein being made and assuming the Over-allotment Option has not been exercised, the authorised share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 Shares of which 800,000,000 Shares will be issued fully paid or credited as fully paid, and 9,200,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme and the Over-allotment Option, the Directors have no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in the paragraph headed “Written resolutions of all the Shareholders passed on 23rd October, 2002” below, there has been no alteration in the share capital of the Company since its incorporation.

3. WRITTEN RESOLUTIONS OF ALL THE SHAREHOLDERS PASSED ON 23RD OCTOBER, 2002

On 23rd October, 2002, pursuant to the resolutions in writing passed by all the Shareholders:

- (a) the authorised share capital was increased from HK\$400,000 to HK\$100,000,000 by the creation of a further 9,960,000,000 Shares;
- (b) the Company adopted its existing articles of association;
- (c) conditional on the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before 4:00 a.m. on the Business Day immediately before the day of dealing of the Shares on the Stock Exchange:
 - (i) the Over-allotment Option was approved and the Directors were authorised to effect the same and to allot and issue new Shares pursuant thereto;
 - (ii) the issue of New Shares under the Share Offer was approved and the Directors were authorised to allot and issue the New Shares pursuant thereto; and
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Share Option Scheme” of this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (d) conditional on the share premium account of the Company being credited as a result of the issue of New Shares under the Share Offer, the Directors were authorised to capitalise HK\$6,790,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 679,000,000 Shares for allotment and issue to Shareholders whose names appear on the register of members of the Company at the close of business on 23rd October, 2002 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing holdings;
- (e) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the articles of association of the Company, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option or under the Share Offer or the Capitalisation Issue, Shares with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue and

to be issued as mentioned herein (including, without limitation, any issue of Shares pursuant to the exercise of Over-allotment Option) and (bb) if the resolution in (g) below is passed, the aggregate nominal amount of the share capital of the Company which may be repurchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (f) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (f) a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein (including, without limitation, any issue of Shares pursuant to the exercise of Over-allotment Option) until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (g) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of the share capital of the Company which is repurchased pursuant to (f) above was approved.

4. GROUP REORGANISATION

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange. The Reorganisation involved the transfer to the Company of an aggregate of 30,000 shares of US\$1.00 each in the capital of PME (BVI), representing the entire issued share capital of PME (BVI), as to 19,338 shares by the Major Shareholder, as to 824 shares by Triple Profit, as to 362 shares by Ms. Chan Yim Fan, as to 721 shares by Mr. Charles Woo, as to 1,030 shares by Precise Goal, as to 525 shares by Invest Now, as to 2,400 shares by Ms. Cheng, as to 2,400 shares by Mr. K W Cheng and as to 2,400 shares by Mr. K C Cheng in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 999,999 Shares, as to 644,600 Shares to the Major Shareholder, as to 27,500 Shares to Triple Profit, as to 12,100 Shares to Ms. Chan Yim Fan, as to 24,000 Shares to Mr. Charles Woo, as to 34,300 Shares to Precise Goal, as to 17,500 Shares to Invest Now, as to 80,000 Shares to Ms. Cheng, as to 79,999 Shares to Mr. K W Cheng and as to 80,000 Shares to Mr. K C Cheng; and (ii) credited as fully paid at par the one Share held by Mr. K W Cheng.

5. CHANGES IN SHARE CAPITAL OF SUBSIDIARIES

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus. Save as disclosed herein and in the paragraph headed "Group reorganisation" above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

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

(a) Stock Exchange Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing of all the Shareholders passed on 23rd October, 2002, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorising any repurchase by the Company of Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued as mentioned herein (including, without limitation, any issue of Shares pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any applicable law to be held or when revoked or varied by ordinary resolution of Shareholders in general meeting, whichever shall first occur.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Company's memorandum and articles of association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Trading restrictions*

The total number of shares which a company may repurchase on the Stock Exchange is shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the repurchases of securities on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased securities*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under Cayman Islands laws, the company's repurchased shares will be treated as cancelled.

(v) *Suspension of repurchase*

A company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of its interim report, a company (other than an investment company listed pursuant to the provisions of Chapter 21 of the Listing Rules) may not repurchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased and the aggregate prices paid.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their associates and "connected person" shall not knowingly sell his securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company 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 if the Directors believe that such repurchases will benefit the Company and the Shareholders.

(c) **Funding of repurchases**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

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

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option has not been exercised), would result in up to 80,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(d) **General**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries.

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

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the 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 consequence which would arise under the Takeovers Code as a consequence of any repurchases made pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented with the agreement of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

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

7. RIGHTS AND RESTRICTIONS OF NON-VOTING DEFERRED SHARES

The rights and restrictions of the non-voting deferred shares in both the share capitals of Fook Cheong Ho International Limited and PME International are set out below:

- (a) as regards income, the holder of the non-voting deferred shares shall be entitled, if the directors of the company so resolve from time to time to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of the company in respect of which the net profits of the company available for dividend (as certified by the auditors of the company whose decision shall be final and binding) exceed HK\$1,000,000,000,000;
- (b) as regards capital, the holder of the non-voting deferred shares shall be entitled out of surplus of the company to a return of the capital paid up on the non-voting deferred shares held by them after a total sum of HK\$1,000,000,000,000 has been distributed in such winding up in respect of the ordinary shares of the company; and
- (c) as regards voting, the holder of the non-voting deferred shares shall not be entitled to receive notice of or to attend or vote at any general meeting of the company.

8. INFORMATION ON DONGGUAN PME

The Group has established a wholly foreign-owned enterprise in the PRC. A summary of the corporate information of such wholly foreign-owned enterprise is as follows:

Name:	Dongguan PME Polishing Materials & Equipment Co., Ltd.
Corporate nature:	wholly foreign-owned enterprise
Total registered capital:	HK\$40,000,000
Total paid up capital:	HK\$40,000,000
Term of operation:	15 years
Scope of business:	manufacturing of polishing compounds and polishing wheels and 50% of the products for export.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. SUMMARY OF MATERIAL CONTRACTS

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

- (a) an agreement dated 23rd October, 2002 and made between (i) the Major Shareholder, Triple Profit, Ms. Chan Yim Fan, Mr. Charles Woo, Precise Goal, Invest Now, Ms. Cheng, Mr. K W Cheng and Mr. K C Cheng as vendors; (ii) Mr. K W Cheng, Mr. K C Cheng and Ms. Cheng as warrantors; and (iii) the Company as purchaser for the acquisition of the entire issued share capital of PME (BVI) in consideration of (i) the allotment and issue, credited as fully paid, of an aggregate of 999,999 Shares, as to 644,600 Shares to the Major Shareholder, as to 27,500 Shares to Triple Profit, as to 12,100 Shares to Ms. Chan Yim Fan, as to 24,000 Shares to Mr. Charles Woo, as to 34,300 Shares to Precise Goal, as to 17,500 Shares to Invest Now, as to 80,000 Shares to Ms. Cheng, as to 79,999 Shares to Mr. K W Cheng and as to 80,000 Shares to Mr. K C Cheng; and (ii) the crediting as fully paid at par the one Share held by Mr. K W Cheng;
- (b) a deed of indemnity dated 30th October, 2002 and executed by the Major Shareholder, Ms. Chan Yim Fan, Mr. Charles Woo, Ms. Cheng, Mr. K W Cheng and Mr. K C Cheng in favour of the Company for itself and as trustee for its subsidiaries containing the indemnities in relation to any liability for estate duty and profits tax referred to in the paragraph headed "Estate duty, tax indemnity and indemnity in relation to Dongguan PME" in the section headed "Other information" of this Appendix and indemnities in relation to the overdue contribution of registered capital of Dongguan PME and failure on the part of PME International to comply with the procedure for capital reduction of Dongguan PME referred to in the paragraph headed "Production facilities" on pages 49 and 50 under the section headed "Business" in this prospectus; and
- (c) the Underwriting Agreement.

2. INTELLECTUAL PROPERTY RIGHTS OF THE GROUP

As at the Latest Practicable Date, the Group has registered the following trade marks:

Trade Marks	Place of Registration	Class	Registration Date	Expiration Date
Pme	Hong Kong	3	13th July, 1990	12th July, 2011
Pme	Hong Kong	7	13th July, 1990	12th July, 2011
Pme	the PRC	3	21st December, 1993	20th December, 2003
Pme	the PRC	7	7th November, 1993	6th November, 2003
Pme	Taiwan	84	16th April, 1994	15th April, 2004

Note:

The description of the relevant classes of which the trade marks of the Group are registered:

- Hong Kong Class 3: polishing compound in powder, solid, paste, liquid form, polishing papers, belts, stone, wax, rouge, creams, polishing wheels made of cotton, sisal and nylon.
- Hong Kong Class 7: polishing apparatus and machines other than for household purpose; polishing barrels being parts of the aforesaid goods
- the PRC Class 3: polishing compound in solid, paste, liquid form, polishing abrasive powder, polishing papers, polishing belts, polishing medias, polishing stone, polishing wax, polishing rouge, polishing creams, polishing wheels
- the PRC Class 7: industrial use only for polishing machine and equipment, barrel (the part of polishing machines and equipment)
- Taiwan Class 84: boiler, dealing machine, blender, emery paper, grinding machine, vibrator, polishing machine, buffing machine, roller wheel, polishing emery paper, emery cloth, grinding wheel, cotton wheel, cotton belt, non-woven wheel, electric hand tools, pneumatic hand tools

C. FURTHER INFORMATION ABOUT THE DIRECTORS AND EXPERTS

1. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

- (i) During the two years immediately preceding the date of this prospectus, the Group had engaged in dealings with certain Directors and their associates as described in note 32 to section A of the accountants' report set out in Appendix I to this prospectus; and
- (ii) Each of the Directors is interested in the group reorganisation referred to in the paragraph headed "Group reorganisation" under the section headed "Further information about the Company and its subsidiaries" in this Appendix.

(b) Particulars of service agreements

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 1st October, 2002, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of these executive Directors is entitled to the respective basic salary plus, in the case of Mr. K W Cheng, Mr. K C Cheng and Ms. Cheng, a housing allowance, as set out below (subject to an annual increment after 31st March, 2003 at the discretion of the Board of not more than 15% of the annual salary immediately prior to such increase). The total current basic annual salaries and housing allowances of each of the executive Directors, are as follows:

	<i>HK\$</i>
Mr. K W Cheng	780,000
Mr. K C Cheng	780,000
Ms. Cheng	390,000
Mr. Chow Yin Kwang	663,260
Ms. Chan Yim Fan	339,820

Each of the executive Directors is also entitled to a management bonus in respect of each financial year to be determined by the Board in their absolute discretion and there are no pre-conditions for such bonus to be paid. The maximum amount of the management bonus is 10% of the combined or, as the case may be, consolidated audited net profit of the Group (after taxation and minority interests and the payment of such bonuses but before extraordinary items) for that financial year.

The Directors are also entitled to travelling allowances and MPF contribution from the Group. The aggregate travelling allowances and MPF contribution from the Group payable to the Directors are estimated to be approximately HK\$84,000 and HK\$221,304 respectively for the year ending 31st December, 2002.

The aggregate amount of remuneration for the Directors is estimated to be approximately HK\$3.2 million for the year ending 31st December, 2002.

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

(c) Directors' remuneration

- (i) During the year ended 31st December, 2001, the aggregate emoluments paid by the Group to the Directors was approximately HK\$3,273,000; and
- (ii) Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 31st December, 2002 is about HK\$3.2 million.

(d) Interests of the Directors in the share capital of the Company after the Share Offer and the Capitalisation Issue

Immediately following the Share Offer and the Capitalisation Issue, the interests of the Directors in the share capitals of the Company and its associated corporations (within the meaning of the SDI Ordinance which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests in which they are taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) once the Shares are listed or which will be required pursuant to section 29 of the SDI Ordinance to be entered in the register referred to therein, once the Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

Director	Number of Shares			Approximate percentage holding
	Corporate interests	Personal interests	Total interests	
Mr. K W Cheng	358,328,000	54,400,000	412,728,000	51.59%
	<i>(Note)</i>			
Mr. K C Cheng	358,328,000	54,400,000	412,728,000	51.59%
	<i>(Note)</i>			
Ms. Cheng	358,328,000	54,400,000	412,728,000	51.59%
	<i>(Note)</i>			
Mr. Charles Woo	—	16,342,667	16,342,667	2.04%
Ms. Chan Yim Fan	—	8,205,333	8,205,333	1.03%

Note: These Shares will be held in the name of PME Investments, the entire issued share capital of which is beneficially owned as to one-third by each of Mr. K W Cheng, Mr. K C Cheng and Ms. Cheng.

APPENDIX IV	STATUTORY AND GENERAL INFORMATION
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2. SUBSTANTIAL SHAREHOLDERS

Immediately following the Share Offer and the Capitalisation Issue but taking no account of Shares which may be taken up under the Share Offer and assuming the Over-allotment Option has not been exercised, the following Shareholders will be interested in 10% or more of the Shares then in issue:

Name	Number of Shares	Approximate percentage of holding
PME Investments (<i>Note 1</i>)	358,328,000	44.79%
Mr. K W Cheng (<i>Note 2</i>)	412,728,000	51.59%
Mr. K C Cheng (<i>Note 2</i>)	412,728,000	51.59%
Ms. Cheng (<i>Note 2</i>)	412,728,000	51.59%

Notes:

- 1. PME Investments is an investment holding company incorporated in the BVI and its entire issued share capital is beneficially owned as to one-third by each of Mr. K W Cheng, Mr. K C Cheng and Ms. Cheng.*
- 2. Each of Mr. K W Cheng, Mr. K C Cheng and Ms. Cheng personally holds 54,400,000 Shares, being 6.8% of the entire issued share capital of the Company. Each of them is further beneficially interested in one-third of PME Investments and is accordingly deemed to be interested in the entire interests of PME Investments in the Company.*

3. PERSONAL GUARANTEES

Each of Mr. K W Cheng, Mr. K C Cheng and Ms. Cheng has provided personal guarantees in favour of certain banks for debts and liabilities due by certain members of the Group. The relevant banks have agreed in principle that all such personal guarantees will be released and replaced by guarantees from the Company or other members of the Group following the listing of the Shares on the Stock Exchange.

4. RELATED PARTY TRANSACTIONS

During the two years immediately preceding the date of this prospectus, the Group had engaged in related party transactions as described in the note 32 to section A of the accountants' report set out in Appendix I to this prospectus.

Save as disclosed in this prospectus, no other material related party transactions have been entered into by the Group. The Directors are of the opinion that the above transactions were conducted on normal commercial terms.

5. DISCLAIMER

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any option which may be granted under the Share Option Scheme or the Over-allotment Option, the Directors are not aware of any person who, immediately following the Share Offer and the Capitalisation Issue, will hold either directly or indirectly, or be beneficially interested in, Shares representing 10% or more of the share capital of the Company in issue and to be issued as mentioned herein;
- (b) none of the Directors has for the purposes of section 28 of the SDI Ordinance or the Listing Rules, nor is any of them taken to or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance, any interests in the securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed on the Stock Exchange;
- (c) none of the Directors and the experts named in the paragraph headed “Qualifications of experts” under the section headed “Other information” of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group nor will any Director apply for Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and
- (e) none of the experts named in the paragraph headed “Qualifications of experts” under the section headed “Other information” in this Appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by written resolutions of all the Shareholders dated 23rd October, 2002 (the “Adoption Date”).

1. SUMMARY OF TERMS**(a) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to enable the Company to grant options to certain full-time employees (including executive Directors, non-executive Directors and independent non-executive Directors) of the Group in recognition of their contribution to the Group.

(b) Grant and acceptance of options

Subject to the terms of the Share Option Scheme, the Directors may, at its absolute discretion, invite full-time employees of the Group including executive directors and the non-executive directors of the Company or any of its subsidiary (“Eligible Persons”) to take up options to subscribe for Shares at a price calculated in accordance with paragraph (c) below.

An offer of the grant of an option shall be made to Eligible Persons by letter in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the date on which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the Adoption Date or after the Share Option Scheme has been terminated.

A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Eligible Person together with the said consideration of HK\$1.00 is received by the Company.

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 such number of Shares as represents a board lot for the time being for the purpose of trading on the Stock Exchange or an integral multiple thereof.

(c) Price of Shares

The exercise price for Shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the Shares on the date of grant.

(d) Maximum number of Shares

- (i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not, when aggregate with any Shares subject to any other schemes, in aggregate exceed 10% of the issued share capital of the Company, being (i) 80,000,000 Shares upon listing of the Shares on the Stock Exchange, assuming there is no exercise of the Over-allotment Option; or (ii) 83,000,000 Shares upon listing of the Shares on the Stock Exchange in the event the Over-allotment Option is exercised in full (the “Scheme Mandate Limit”). The Company may seek approval by the Shareholders in general meeting of “refreshing” the Scheme Mandate Limit. However, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the Company (or its subsidiary) under the limit as “refreshed” must not exceed 10% of the relevant class of securities in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”.
- (ii) Subject to (iii) below, the Company may issue Share options to specified participants over and above the Scheme Mandate Limit subject to Shareholders’ approval in general meetings and the issue of a circular.
- (iii) The total 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 scheme of the Company must not exceed 30% of the total issued share capital of the Company from time to time.

The total number of Shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant to each Eligible Person shall not exceed 1% of the total issued share capital of the Company in issue unless (i) a Shareholders’ circular is despatched to the Shareholders; (ii) the Shareholders approve the grant of the options in excess of the limit referred to herein and (iii) the relevant Eligible Person and its associates abstain from voting on the resolution.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of options.

(e) Exercise of option

Unless otherwise provided in the terms of the Share Option Scheme, an option may be exercised at any time during the period commencing on the expiry of six calendar months after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the Board to each grantee, but in any event not later than 10 years from the date of offer of the option but subject to the early termination of the Share Option Scheme (the "Option Period").

An option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

There is no performance target which must be achieved before any of the options can be exercised.

(f) Restrictions on the time of grant of options

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

(g) Rights are personal to grantees

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

(h) Rights on dismissal or ceasing employment

If the grantee of an option ceases to be an Eligible Person for any reason other than his death or the termination of his employment on one or more of the grounds of persistent or serious misconduct, bankruptcy, insolvency, composition with his creditors generally or conviction of any criminal offence or other ground on which an employer would be entitled to terminate his employment pursuant to any applicable laws, his option (to the extent not already exercised) will lapse on the

date of cessation of his employment and shall 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 determine following the date of such cessation, which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

(i) Rights on death

If the grantee of an option ceases to be an employee of the Group by reason of his death and none of the events which would be ground for termination of his employment under paragraph (h) above occurs, his personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months following the date of his death (or such longer period as the Board may determine).

(j) Cancellation of options

Any cancellation of options granted but not exercised and the issue of new options to the same grantee may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the Scheme Mandate Limit referred to in paragraph (d)(i) above. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(k) Effect of alterations to share capital

In the event of alteration in the capital structure of the Company while any option remains exercisable by way of capitalisation of profits or reserved, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) will be made in (i) the number of Shares subject to any option so far as such option remains unexercised; and/or (ii) the subscription price per Share as the auditors for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any option shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. Save in the case of a capitalisation issue, an independent financial adviser or the auditors for the time being of the Company must confirm to the Directors in writing that such adjustments satisfy the aforesaid requirements.

(l) Rights on a general offer

In the event of a general offer being made to all the Shareholders (or all such holders other than the offeror and/or person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant option, the grantee (or his personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(m) Rights on winding up

In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date or as soon as after it despatches such notice to each member of the Company give notice thereof to all grantees and any grantee (or his personal representative(s) provided none of the events which would be ground for termination of his employment under paragraph (h) above occurs) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant option (such notice to be received by the Company not later than two Business Days prior to the proposed general meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent that he may specify in his notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid.

(n) Rights on a reconstruction, compromise or arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company to consider such a compromise or arrangement, and thereupon the grantee (or his personal representative(s)) may by notice in writing to the Company accompanied by a remittance of the full amount of the exercise price in respect of which the notice is given (such notice to be received by the Company not later than two Business Days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting allot and issue such number of Shares to the grantee credited as fully paid.

(o) 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 of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

(p) Duration and administration of the Share Option Scheme

The Share Option Scheme has been adopted for a period of 10 years commencing the Adoption Date, after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. The Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

(q) Alterations to the terms of the Share Option Scheme

- (i) The provisions relating to the matters set out in rule 17.03 of the Listing Rules cannot be altered to the advantage of participants without the prior approval of Shareholders in general meeting.
- (ii) Any alterations to the terms and conditions of the share option scheme of the Company or any of its subsidiaries which are of a material nature or any change to the terms of options granted must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (iv) Any change to the authority of the Directors or the Share Option Scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(r) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting approval of the scheme and any options which may be granted thereunder and the listing of and permission to deal in the Shares in issue at its date of adoption and the Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; and
- (ii) the passing of the written resolutions of the Shareholders dated 23rd October, 2002 to adopt the Share Option Scheme.

(s) Grant of options to connected persons or any of their associates

Any grant of options to a connected person (as defined in the Listing Rules) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). Where options are proposed to be granted to a connected person who is also a substantial Shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of Shareholders taken on a poll in general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the Shareholders' circular to be issued as stated below).

A Shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing (i) the number and terms of the options to be granted, (ii) containing a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) on whether or not to vote in favour of the proposed grant, (iii) containing information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees.

Any change in the terms of options granted to a connected person or its associates must be approved by Shareholders in general meeting.

(t) Lapse of option

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

- (i) subject to paragraph (i), the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraph (h), (i), (l), (m) or (n);
- (iii) the date on which the grantee ceases to be an Eligible Person by reason of the termination of his employment on any one or more of the grounds under paragraph (h). A resolution of the Board or the board of directors of the Group to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified above shall be conclusive and binding on the grantee; or
- (iv) the date on which the grantee commits a breach of paragraph (h).

(u) Termination

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

Details of the options granted, including options exercised or outstanding, under the Share Option Scheme shall be disclosed in the circular to shareholders seeking approval of the first new scheme to be established after such termination.

(v) General

The terms of the Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the new requirements set out in the announcement of the Stock Exchange issued on 23rd August, 2001.

The Company will comply with the relevant statutory requirements and the Listing Rules from time to time in force on a continuing basis in respect of the Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the Share Option Scheme shall be referred to the decision of the auditors of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final and binding.

2. PRESENT STATUS OF THE SHARE OPTION SCHEME

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

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

E. OTHER INFORMATION

1. ESTATE DUTY, TAX INDEMNITY AND INDEMNITY IN RELATION TO DONGGUAN PME

Each of Mr. K W Cheng, Mr. K C Cheng, Ms. Cheng, the Major Shareholder, Ms. Chan Yim Fan and Mr. Charles Woo, (together the “Indemnifiers”) entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for its subsidiaries) (being a material contract mentioned in the paragraph headed “Summary of material contracts” under the section headed “Further information about the business” 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 the Group and/or its associated companies by reason of any transfer of property (within the meaning of section 35 or 43 of the Estate Duty Ordinance, (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Share Offer becomes unconditional. The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands.

Under the deed of indemnity, the Indemnifiers have also given indemnities to the Group on a joint and several basis in relation to taxation which might be payable by any member of the Group in respect of any income, profits or gains, transactions, events, matters or things earned, accrued or received on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will however, not be liable under the deed of indemnity for taxation to the extent that:

- (i) provision has been made for such taxation in the accountant’s report set out in Appendix I to this prospectus up to 31st March, 2002;
- (ii) the taxation liability would not have arisen but for any voluntary act or omission by any member of the Group effected after the date on which the Share Offer becomes unconditional (other than pursuant to a legally binding commitment created on or before the date on which the Share Offer becomes unconditional), otherwise than in the ordinary course of business and without the prior written consent or agreement of any of the Indemnifiers;

- (iii) the taxation for which any member of the Group is primarily liable as a result of transactions entered into relates to the ordinary course of business after 31st March, 2002 but before the Share Offer becomes unconditional;
- (iv) the taxation arises or is increased as a consequence of any retrospective changes in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, the PRC or any other part of the world) coming into force after the date on which the Share Offer becomes unconditional or is increased by an increase in rates of taxation after the date on which the Share Offer become unconditional in accordance with the conditions set out under the paragraph headed “Conditions of the Share Offer” under the section headed “Structure of the Share Offer” in this prospectus, with retrospective effect; and
- (v) other than estate duty, any provision or reserve made for taxation in the accountants’ report set out in Appendix I to this prospectus up to 31st March, 2002 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Each of PME Investments, Mr. K W Cheng, Mr. K C Cheng and Ms. Cheng has also provided an indemnity on a joint and several basis in favour of the Company and its subsidiaries in respect of overdue contribution of registered capital of Dongguan PME and failure on the part of Dongguan PME to announce the reduction of its registered capital three times in the newspapers in the PRC, the details of which are set out under the section headed “Risk factors” of this prospectus. Under the deed of indemnity, each of PME Investments, Mr. K W Cheng, Mr. K C Cheng and Ms. Cheng jointly and severally covenants to indemnify the Company, PME International and the other members of the Group fully and effectually against all claims, damages, losses, costs, expenses, actions and proceedings whatsoever and howsoever arising at any time whether present or future arising from:

- (i) the failure on the part of PME International to contribute or contribute in a timely manner to the registered capital of Dongguan PME in compliance with the relevant rules, regulations in the PRC or articles of association of Dongguan PME applicable to Dongguan PME from time to time; or
- (ii) failure on the part of Dongguan PME to notify its creditors, within ten days upon receiving the preliminary approval for the reduction of registered capital from the relevant PRC authorities, by way of three separate notices, each published at least 30 days apart in the newspapers of the reduction of Dongguan PME’s registered capital, in compliance with the laws, rules and regulations prevail in the PRC from time to time.

2. LITIGATION

Neither of the Company nor its subsidiaries are engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

3. SPONSOR

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

4. PRELIMINARY EXPENSES

The estimated preliminary expenses of the Company are approximately US\$2,400 and are payable by the Company.

5. PROMOTER

The promoters of the Company are Mr. K W Cheng, Mr. K C Cheng and Ms. Cheng. Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no cash, securities, or other benefit has been paid, allotted or given to the promoters in connection with the Share Offer or the related transactions described in this prospectus.

6. QUALIFICATION OF EXPERTS

The qualifications of the experts who have given opinions in this prospectus and/or whose names are included in this prospectus are as follows:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Castores Magi	Registered Professional Surveyors
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
GFE Law Office (also known as Guangzhou Foreign Economic Law Office)	PRC attorneys-at-law

7. CONSENTS OF EXPERTS

Deloitte Touche Tohmatsu, Castores Magi, Conyers Dill & Pearman, Cayman and GFE Law Office have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation, letters or opinions (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

8. BINDING EFFECT

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

9. TAXATION OF HOLDERS OF SHARES

- (a) Dealings in Shares will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.
- (b) The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares.
- (c) The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty the current rate of which is HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the Shares being sold or transferred.
- (d) Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

10. PARTICULARS OF THE VENDOR

Name	Description	Registered address	Number of Sale Shares
PME Investments	Corporation	P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands	80,000,000

11. MISCELLANEOUS

- (a) Save as disclosed herein:
 - (i) within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) there has been no material adverse change in the financial position or prospects of the Group since 31st March, 2002 (being the date to which the latest audited combined financial statements of the Group were made up).
- (b) The Company has no founder shares, management shares or deferred shares.
- (c) The register of members of the Company will be maintained in the Cayman Islands by Bank of Bermuda (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Secretaries Limited. Unless the Directors agree otherwise, all transfers and other documents of title of Shares must be lodged for registration with and registered by, the Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
- (e) No company within the Group is presently listed or proposed to be listed on any stock exchange or traded on any trading system.