

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

We were incorporated in the Cayman Islands under the Companies Law as an exempted company on 12 October 2004. We have established a principal place of business in Hong Kong at Rooms 1105-9, Jardine House, 1 Connaught Place, Central, Hong Kong and was registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance on 1 February 2005. Mr. Tsang and Mr. Wong Kwok Wai, Allan, being an executive Director and the company secretary respectively, have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong.

As we were incorporated in the Cayman Islands, we operate subject to the Cayman Islands laws and to the Memorandum and the Articles. A summary of certain parts of the Memorandum and the Articles and relevant aspects of the Cayman Islands company law is set forth in appendix IV to this prospectus.

2. Changes in share capital

- (a) Our authorised share capital as at the date of the incorporation was HK\$390,000 divided into 3,900,000 shares of HK\$0.10 each, of which one Share was allotted and issued fully paid at par to Codan Trust Company (Cayman) Limited ("Codan") on 14 October 2004.
- (b) On 14 October 2004, Codan transferred one Share to Tai Ah International and one new Share was allotted and issued fully paid at par to Lanling Electrical.
- (c) On 6 February 2005, each of Tai Ah International and Lanling Electrical transferred one Share to SY International.
- (d) On 31 May 2005, the Shareholders resolved to increase our authorised share capital from HK\$390,000 to HK\$100,000,000 by the creation of an additional of 996,100,000 Shares.
- (e) On 31 May 2005, in consideration of the acquisition by us of the entire issued share capital of Senyuan Investments as to 50% from Tai Ah International and as to 50% from Lanling Electrical, we allotted and issued an aggregate of 998 Shares to SY International, all credited as fully paid, at their direction.
- (f) Assuming that the Share Offer becomes unconditional and the Share Offer and the Capitalisation Issue are duly completed, our authorised share capital will be HK\$100,000,000 divided into 1,000,000,000 Shares and the issued share capital of our Company will be HK\$30,500,000 divided into 305,000,000 Shares, all fully paid or credited as fully paid. Apart from the issue of Shares under the Share Option Scheme, there is no present intention to issue any part of our authorised but unissued share capital 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 our Company.

Save as aforesaid and as mentioned in the paragraph headed "Written resolutions of the sole Shareholder" below, there has been no alteration in our share capital since its incorporation.

3. Written resolutions of the sole Shareholder

Pursuant to the written resolutions of the sole Shareholder dated 31 May 2005:

- (a) Our Company approved and adopted the existing Articles;
- (b) the authorised share capital of our Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of an additional 996,100,000 Shares to rank *pari passu* with the existing Shares in all respects;
- (c) conditional on the same conditions as stated in the section headed "Structure of the Share Offer – Conditions of the Share Offer" herein:
 - (i) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares;
 - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Directors were authorised to allot and issue a total of 228,749,000 Shares credited as fully paid at par to the holders of the Shares on the register of members of our Company (as they may direct) at the close of business on 1 June 2005 (as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$22,874,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares;
- (d) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than by way of rights issues, scrip dividend or an issue of shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the options which may be granted under the Share Option Scheme or other similar arrangements) Shares with an aggregate nominal value not exceeding the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue; and
- (ii) the aggregate nominal amount of Shares repurchased under the authority granted to the Directors as referred to in paragraph (e) below,

until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the revocation or variation by an ordinary resolution of the Shareholders in a general meeting, whichever is the earlier; and

- (e) a general unconditional mandate was given to the Directors authorising them 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 recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue, until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the revocation or variation by an ordinary resolution of the Shareholders in a general meeting, whichever is the earlier.

4. Reorganisation

The subsidiaries of our Company underwent a reorganisation in preparation for the listing of the Shares on the Stock Exchange. Following the Reorganisation, our Company became the holding company. The Reorganisation involved the following:

Incorporation and reorganisation of our Company

- (a) We were incorporated on 12 October 2004.
- (b) On 14 October 2004, one Share was allotted and issued fully paid to Codan.
- (c) On 14 October 2004, Codan transferred one Share to Tai Ah International and one new Share was allotted and issued fully paid to Lanling Electrical.
- (d) On 6 February 2005, each of Tai Ah International and Lanling Electrical transferred one Share to SY International.

Incorporation and reorganisation of Senyuan Investments

- (a) On 21 September 2004, Senyuan Investments was incorporated in the BVI with limited liability with an authorised capital of US\$2,000,000 divided into 2,000,000 shares of US\$1 each.

- (b) On 27 September 2004, one share was allotted and issued credited fully paid to each of Tai Ah International and Lanling Electrical.
- (c) On 28 October 2004, 753,749 new shares were allotted and issued credited fully paid to each of Tai Ah International and Lanling Electrical.
- (d) On 31 May 2005, our Company acquired entire issued share capital of Senyuan Investments as to 50% from each of Tai Ah International and Lanling Electrical, in exchange for an aggregate of 998 Shares of our Company, credited as fully paid, being allotted and issued to SY International at their direction.

Reorganisation of Changzhou Senyuan

- (a) Pursuant to the agreements dated 18 October 2004 and referred to in items (b) and (c) of the paragraph headed “Summary of material contracts” in this appendix, and in consideration of US\$1,500,000, Senyuan Investments acquired 50.25% interest and 49.75% interest in Changzhou Senyuan from Changzhou Lanling Factory and Tai Ah HK respectively.
- (b) On 29 October 2004, 常州市對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau of Changzhou) approved the transfers referred to in paragraph (a) above and the conversion of Changzhou Senyuan from a sino-foreign co-operative joint venture enterprise into a wholly foreign owned enterprise.
- (c) Upon completion of conversion into a wholly foreign owned enterprise, Changzhou Senyuan’s registered capital remains US\$2,400,000 and its business scope remains as manufacture of VCBs and switchgear components and sale of self-manufactured products. According to the enterprise legal person business licence issued on 10 November 2004, its term of operations is 12 years from 21 January 1997 to 20 January 2009 which would be renewable upon application.

5. Changes in share capital of subsidiaries of our Company

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

Senyuan Investments

- (a) On 27 September 2004, 1 ordinary share of US\$1 each in Senyuan Investments was issued and allotted to Tai Ah International for a consideration of US\$1.
- (b) On 27 September 2004, 1 ordinary share of US\$1 each in Senyuan Investments was issued and allotted to Lanling Electrical for a consideration of US\$1.
- (c) On 28 October 2004, 753,749 shares of US\$1 in Senyuan Investments were issued and allotted to each of Tai Ah International and Lanling Electrical respectively for a total consideration of US\$1,507,498.

- (d) On 31 May 2005, our Company acquired entire issued share capital of Senyuan Investments as to 50% from each of Tai Ah International and Lanling Electrical, in exchange for an aggregate of 998 Shares of our Company, credited as fully paid, being allotted and issued to SY International at their direction.

Changzhou Senyuan

- (a) On 25 August 2004, Changzhou Lanling Factory acquired 0.5% interest in Changzhou Senyuan from Changzhou Tianning Trading for a consideration of RMB610,800. As a result, Changzhou Lanling Factory and Tai Ah HK held a 50.25% and 49.75% shareholding interest in Changzhou Senyuan respectively.
- (b) On 17 September 2004, the registered share capital of Changzhou Senyuan was approved to be increased from US\$1,500,000 to US\$2,400,000 by way of capitalisation of accumulated undistributed profits. Immediately thereafter, Changzhou Senyuan was owned as to 50.25% and 49.75% by Changzhou Lanling Factory and Tai Ah HK respectively.
- (c) Pursuant to the agreements dated 18 October 2004 and referred to in items (b) and (c) of the paragraph headed "Summary of material contracts" in this appendix, and in consideration of US\$1,500,000, Senyuan Investments acquired 50.25% interest and 49.75% interest in Changzhou Senyuan from Changzhou Lanling Factory and Tai Ah HK respectively.

Save as aforesaid and in paragraph 4 of this appendix, there has been no other alteration in the share capital of the subsidiaries of our Company in the two years preceding the date of this prospectus.

6. Repurchase of our Company's own securities

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

(a) *Provisions of the Listing Rules*

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

(i) Shareholders' approval

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

(*Note:* Pursuant to a written resolution of the sole Shareholder passed on 31 May 2005, a general unconditional mandate was given to the Directors authorising them 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 recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue, until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the revocation or variation by an ordinary resolution of the Shareholders in a general meeting, whichever is the earlier.)

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. 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.

(b) *Reasons for repurchases*

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

(c) *Funding of repurchases*

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

Our Company shall not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

It is presently proposed that any repurchase of Shares would be made out of profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on such repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

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

(d) *Share capital*

On the basis of 305,000,000 Shares in issue immediately after the listing of the Shares, the Directors would be authorised under a general mandate given to the Directors pursuant to a written resolution of the sole Shareholder passed on 31 May 2005 to repurchase up to 30,500,000 Shares during the period prior to:

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

whichever occurs first.

(e) *General*

None of the Directors or, to their best knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our 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.

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

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of 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 as a result of any such increase.

Any repurchase of the Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive requirements of the Listing Rules regarding the minimum percentage of public shareholdings. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

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

- (a) a transfer agreement (in Chinese) dated 8 October 2004 between Changzhou Senyuan and Lanling in relation to transfer of 50% interest in Changzhou Guodian by Changzhou Senyuan to Lanling for a consideration of RMB916,552.83;
- (b) a transfer agreement (in Chinese) dated 18 October 2004 between Senyuan Investments and Tai Ah HK in relation to the transfer of 49.75% interest in Changzhou Senyuan by Tai Ah HK to Senyuan Investments for a consideration of US\$294,000;
- (c) a transfer agreement (in Chinese) dated 18 October 2004 between Senyuan Investments and Changzhou Lanling Factory in relation to the transfer of 50.25% interest in Changzhou Senyuan by Changzhou Lanling Factory to Senyuan Investments for a consideration of US\$1,206,000;
- (d) a share swap agreement dated 31 May 2005 between our Company, Tai Ah International, Lanling Electrical, Mr. Tsang and Mr. Zhou in relation to transfer of the entire issued share capital of Senyuan Investments by Tai Ah International and Lanling Electrical to our Company in exchange for 998 Shares, all credited as fully paid, being allotted and issued to SY International;
- (e) a deed of indemnity dated 31 May 2005 executed by Mr. Tsang, Mr. Zhou, Tai Ah International, Lanling Electrical and SY International in favour of our Company (for our Company and as trustee for each of our present subsidiaries) containing the indemnities in respect of certain estate duty, tax and other liabilities as referred to in the section headed "Estate duty, tax and other indemnities" in this appendix; and
- (f) the underwriting agreement dated 27 June 2005 entered into between, among other parties, our Company, the Executive Directors (as named therein), the Joint Sponsors, the Lead Manager and the Underwriters, the details of which are set out in the section headed "Underwriting" of this prospectus.

2. Intellectual property rights

(a) Patents

As at the Latest Practicable Date, our Group had registered the following design patents in the PRC:


Patent	Name of proprietor	Application date	Grant date	Patent certificate number
真空斷路器(VCB) 集成固封極柱	Changzhou Senyuan	14 August 2003	4 February 2004	353654
(Embedded pole)	Changzhou Senyuan	28 April 2004	15 December 2004	414793

As at the Latest Practicable Date, our Group had registered the following utility model patents in the PRC:

Patent	Name of proprietor	Application date	Grant date	Patent certificate number
集成固封極柱 (Embedded pole)	Changzhou Senyuan	9 October 2001	10 July 2002	501771
絕緣筒 (Isolating pole)	Changzhou Senyuan	17 January 2003	7 January 2004	598093
大電流散熱裝置 (High-current heat lift using equipment)	Changzhou Senyuan	17 January 2003	24 December 2003	595027
真空斷路器(VCB)	Changzhou Senyuan	20 March 2003	7 April 2004	611021
脫扣器(Release)	Changzhou Senyuan	9 May 2003	12 May 2004	616950
高壓負荷開關 (High-voltage board break switch)	Changzhou Senyuan	28 October 2003	1 December 2004	661038

(b) Trademarks

Our Group has the following registered trademark in the PRC:

Trademark	Name of proprietor	Class	Registration number	Term of registration period
	Changzhou Senyuan	9	1346236	21 December 1999 to 20 December 2009

Our Group has applied for the registration of the following trademark in the PRC and Hong Kong:

Trademark	Place of registration	Class	Date of submission of application
senyuan	PRC	9	11 March 2005
senyuan	Hong Kong	9	20 June 2005

(c) *Domain names*

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

Domain name	Date of registration
www.czsykg.com (<i>Note</i>)	8 June 2004
www.czsykg.com.cn (<i>Note</i>)	23 June 2004

Note: The contents in the above domains do not form part of this prospectus.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Interests and/or short positions of the directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated companies

Immediately following completion of the Share Offer and the Capitalisation Issue and assuming that the options which may be granted under the Share Option Scheme are not exercised, the interests and/or short positions of the directors and chief executive of our Company in the shares, underlying shares in respect of equity derivatives 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/or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed (assuming that their interests will remain unchanged after the Latest Practicable Date), will be as follows:

(a) *Long positions in the Shares*

Name of Director	Nature of interest and capacity	Total number of Shares	Approximate percentage of shareholding interest
Mr. Zhou	Corporate interest (<i>Note</i>)	228,750,000	75%
Mr. Tsang	Corporate interest (<i>Note</i>)	228,750,000	75%

Note: These Shares will be owned by SY International, the issued share capital of which is owned as to 50% and 50% by Lanling Electrical and Tai Ah International respectively.

Lanling Electrical is wholly owned by Mr. Zhou, an executive Director.

Tai Ah International is owned as to 75% by Mr. Tsang, an executive Director.

Mr. Zhou and Mr. Tsang will be deemed to be interested in these Shares by virtue of their interests in Lanling Electrical and Tai Ah International respectively pursuant to Part XV of the SFO.

(b) Long positions in the associated corporation

Name of Director	Name of Associated Corporation	Nature of Interest	Total number of shares held in the associated corporation	Approximate percentage of shareholding in the associated corporation
Mr. Zhou	SY International	Corporate interest <i>(Note)</i>	1	50%
Mr. Tsang	SY International	Corporate interest <i>(Note)</i>	1	50%

Note: Lanling Electrical is wholly owned by Mr. Zhou. Mr. Zhou is deemed to be interested in the one share held by Lanling Electrical in SY International by virtue of Part XV of the SFO.

Tai Ah International is owned as to 75% by Mr. Tsang. Mr. Tsang is deemed to be interested in the one share held by Tai Ah International in SY International by virtue of Part XV of the SFO.

2. Interests and/or short positions of substantial Shareholders in the shares or underlying shares of our Company

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue and assuming that the options which may be granted under the Share Option Scheme are not exercised, the following persons (other than the directors or chief executive of our Company) will have an interest and/or short position in the shares or underlying shares in respect of equity derivatives of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or will be directly or indirectly interested in 10% or more of the voting power at general meetings of our Company once the Shares are listed (assuming that their interests will remain unchanged after the Latest Practicable Date):

Long positions in the Shares

Name of substantial Shareholder	Number of Shares	Approximate percentage of shareholding interest in our Company
SY International	228,750,000	75%
Lanling Electrical <i>(Note 1)</i>	228,750,000	75%
Tai Ah International <i>(Note 1)</i>	228,750,000	75%
Ms. Wu Tong <i>(Note 2)</i>	228,750,000	75%
Ms. Lou Bing <i>(Note 3)</i>	228,750,000	75%

Notes:

1. SY International is owned as to 50% and 50% by Lanling Electrical and Tai Ah International respectively. Therefore, both of Lanling Electrical and Tai Ah International will be deemed to be interested in the 228,750,000 Shares held by SY International under Part XV of the SFO.
2. As Lanling Electrical is wholly owned by Mr. Zhou, Mr. Zhou will be deemed to be interested in the 228,750,000 Shares held by SY International under Part XV of the SFO. Ms. Wu Tong, being Mr. Zhou's spouse, will be deemed to be interested in the 228,750,000 Shares held by SY International under Part XV of the SFO.
3. As Tai Ah International is 75% owned by Mr. Tsang, Mr. Tsang will be deemed to be interested in the 228,750,000 Shares held by SY International under Part XV of the SFO. Ms. Lou Bing, being Mr. Tsang's spouse, will be deemed to be interested in the 228,750,000 Shares held by SY International under Part XV of the SFO.

3. Interests of the substantial shareholder of any other members of our Group

So far as the Directors are aware, no person (other than the directors or chief executive of the Company) is expected, directly or indirectly, to 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 any other members of our Group (other than our Company) upon the listing of the Shares on the Stock Exchange.

4. Particulars of service agreements

Each of Mr. Tsang, Mr. Zhou, Mr. Lou Chong Wei and Mr. Shu Yi Jin has entered into a service agreement dated 30 May 2005 with our Company under which they agreed to act as executive Directors, for a period of three years commencing from the Listing Date unless terminated in accordance with the terms of the service contracts. Under the service agreements, the initial annual salary payable by our Company to the Mr. Tsang, Mr. Zhou, Mr. Lou Chong Wei and Mr. Shu Yi Jin are HK\$1,440,000, HK\$1,440,000, HK\$144,000 and HK\$744,000 respectively and may, subject to the discretion of the Board, be increased. Each of the executive Directors will also be entitled to a discretionary bonus as decided by the Board. The amount of the annual salary increment and the bonus payable under such service agreements is at the discretion of the Board, provided that the respective parties to such service agreements shall abstain from voting and not be counted in the quorum in respect of any such determination of the Board in relation to him.

Each of Mr. Keung Ping Yin, Raymond, Mr. Wong Yiu Sun, Peter and Mr. Lu Yan Sun has signed a letter of appointment dated 30 May 2005 with our Company under which they agreed to act as independent non-executive Directors for a period of one year unless terminated in accordance with the terms of the appointment letters. The initial annual director's fee for Mr. Keung Ping Yin, Raymond, Mr. Wong Yiu Sun, Peter and Mr. Lu Yan Sun are HK\$180,000, HK\$144,000 and HK\$144,000 respectively.

Save as aforesaid, there is no existing or proposed service contracts (excluding contracts expiring or determinable by such member of our Group within one year without payment of compensation other than statutory compensation) between the Directors and any member of our Group.

5. Directors' remuneration

The aggregate amount of salaries, allowances and benefits in kind paid by our Group to the Directors for the year ended 31 December 2004 was RMB1,231,000.

It is expected that an aggregate amount of approximately RMB2.8 million will be paid to the Directors as remuneration by our Group in respect of the year ending 31 December 2005 according to the present arrangements, excluding the discretionary salary increment and bonus.

None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2004 whether (a) as an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2004.

6. Personal guarantees

Mr. Tsang and Mr. Zhou, both are Directors, have provided personal guarantees in favour of a bank in connection with bank loans granted to our Group. We intend to repay the bank loans on or before listing of the Shares on the Stock Exchange. Therefore, the aforesaid personal guarantees provided by Mr. Tsang and Mr. Zhou are expected to be released on or before listing of the Shares on the Stock Exchange.

7. Related party transactions

During the three financial years preceding the date of this prospectus, our Group had engaged in the related party transactions as mentioned in the paragraphs headed "Related Party Transactions" and "Connected Transactions" under the section headed "Business" of this prospectus and in the accountants' report set out in appendix I to this prospectus.

8. Others

- (a) Save as disclosed in this prospectus and in the section headed "Summary of material contracts" in this appendix, none of the Directors or the experts named in the section headed "Consents of experts" in this appendix has any direct or indirect interest in the promotion of our Company or in any assets acquired or disposed of by or leased to any member of our Group or is proposed to be acquired or disposed of by or leased to any member of our Group within the two years immediately preceding the date of this prospectus.
- (b) Save as disclosed in this prospectus and in the section headed "Summary of material contracts" in this appendix, none of the Directors or the experts named in the section headed "Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- (c) Saved as disclosed in this prospectus and in the section headed "Summary of material contracts" in this appendix, none of the experts named in the section headed "Consents of experts" in this appendix has any shareholding in any

member of our Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group or is an officer or employee or a servant or partner or director of any member of our Group.

- (d) Save as disclosed in this prospectus, taking no account of any Shares which may be taken up under the Share Offer, none of the directors or chief executive of our Company has interests and/or short positions in the shares, underlying shares in respect of equity derivatives or 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/or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed.
- (e) Save as disclosed in this prospectus, taking no account of any Shares which may be taken up under the Share Offer, so far as the Directors are aware, there is no person (other than the directors or chief executive of our Company) who will have any interest and/or short positions in the shares or underlying shares in respect of equity derivatives of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or who will be directly or indirectly, interested in 10% or more of the voting power at general meetings of our Company.

SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	means the date on which the Share Option Scheme becomes unconditional
“Eligible Person”	means any employee of: (i) any member of our Group; (ii) the supplier of any member of our Group and its shareholders; and (iii) the customer of any member of our Group and its shareholders
“Scheme Period”	means the period commencing on the Adoption Date and expiring at the close of business on the day immediately preceding the tenth anniversary thereof
“trading day”	means a day on which the Stock Exchange is open for business of dealing in securities

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Board to grant options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to our Group.

(ii) Conditions

The Scheme is conditional on, among others, the commencement of trading of the Shares on the Stock Exchange.

(iii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any Eligible Person to subscribe at a price calculated in accordance with paragraph (iv) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iv) Price for subscription of Shares

The price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of:

- (aa) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and
- (bb) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant,

provided that the price per Share shall in no event be less than the nominal amount of one Share.

(v) *Grant of options and acceptance of offers*

A grant of options shall 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 announced pursuant to the requirements of the Listing Rules by our Company. In particular, during the period commencing one month immediately preceding the earlier of:

- (aa) the date of the board meeting (as such date is first notified to the Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules); and
- (bb) the deadline of our Company to publish its results announcement for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules);

and ending on the date of the results announcements, no option may be granted.

An offer for the grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(vi) *Maximum number of Shares*

- (aa) Subject to sub-paragraph (bb) and (dd) below, 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 share option schemes of our Company (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of the Shares in issue on the Adoption Date (the "Scheme Limit"). Options lapsed in accordance with the Share Option Scheme will not be counted for the purpose of the Scheme Limit.
- (bb) The Scheme Limit may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the refreshed limit must not exceed 10% of the Shares in issue at the date of the Shareholders' approval of such limit. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company or those exercised) will not be counted for the purpose of calculating the refreshed limit.

- (cc) Our Company may also, by obtaining separate approval of the Shareholders in general meeting, grant options beyond the Scheme Limit provided the options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time.

(vii) Maximum entitlement of each Eligible Person

The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of our Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time. Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

(viii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder (excluding the proposed director or chief executive) of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the offeree of the option).
- (bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director (or any of their respective associates) would result in the total number of Shares issued and to be issued upon exercise of options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue from time to time; and
 - (ii) having an aggregate value, based on the closing price of the Shares on each date of grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders in general meeting.

Our Company must send a circular, containing such information as required under the Listing Rules, to the Shareholders for seeking approval on the matter referred to in the sub-paragraph (bb) above. All connected persons of our Company must abstain from voting in favour at such general meeting. Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

(ix) Exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine but in any event shall not exceed 10 years from the date of grant.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Shares allotted upon the exercise of an outstanding option will be subject to all the provisions of the Memorandum and the Articles 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 such exercise. Shares allotted upon the exercise of an option for the time being outstanding shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights for grantees ceasing to be an Eligible Person

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person ceases to be such an Eligible Person:

- (aa) by reason of serious illness or death or of retirement in accordance with his contract of employment or service, then he or (as the case may be) his personal representative(s) may exercise his outstanding option within 12 months of such cessation or, such period extended by the Board failing which the option will lapse; or

- (bb) by reason of matters other than those specified in paragraph (aa) above, then he may exercise his outstanding options within three months after he so ceases.

(xiv) Rights on a general offer

If a general offer is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), an option holder shall be entitled to exercise at any time within a period of 14 days after our Company has notified of the general offer any option in whole or in part to the extent not already exercised. An option not exercised shall lapse upon the expiry of such period.

(xv) Rights on winding-up

If notice is given by our Company to Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice to all options holders and each option holder shall be entitled, at any time no later than 2 business days prior to the proposed general meeting of our Company, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse and determine on the commencement of the winding-up.

(xvi) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and Shareholders or our Company's creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, notice of the relevant meeting shall be given to the options holders on the same day notice is given to the Shareholders and our Company's creditors, and thereupon each option holder shall be entitled, at any time not later than 2 business days prior to the proposed meeting, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse upon such compromise or arrangement becoming effective.

(xvii) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the expiry of the relevant period referred to in paragraph (xiii) above;
- (cc) the expiry of any of the relevant periods referred to in paragraph (xiv), (xv) or (xvi) above;
- (dd) the commencement of the winding-up of our Company;

- (ee) the date on which an option holder ceases to be an Eligible Person by reason of the termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty; and
- (ff) the Board cancels the option because the option holder commits a breach of paragraph (xii) above.

(xviii) Cancellation of options granted but not yet exercised

Where our Company cancels any options granted but not exercised and issues new ones to the same option holder, such options may only be granted under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit referred to in paragraph (vi).

(xix) Effects of alterations to capital

In the event of any alteration in the capital structure of the Company, whether by way of capitalisation of profits or reserves, rights issue, reduction, sub-division or consolidation or other similar reorganisation of the share capital of our Company, the number or nominal amount of Shares comprised in each option and/or the option price may be adjusted in such manner as the auditors of our Company or an independent financial adviser appointed for such purpose may advise the Board, provided always that the option holder shall have the same proportion of the equity capital of our Company as that to which he was entitled before such adjustments and that the aggregate price payable by the option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, and that 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. The issue of Shares as consideration in a transaction will not be regarded as a circumstance requiring adjustment.

(xx) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date unless terminated earlier by Shareholders in general meeting.

(xxi) Alteration to the Share Option Scheme

- (aa) The terms and conditions of the Share Option Scheme relating to the definition of “Eligible Person” or the Scheme Period or matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of participants except with the prior approval of the Shareholders in general meeting.

- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the options granted must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.
- (dd) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxii) Termination to the Share Option Scheme

Our Company may, with the approval in general meeting of the Shareholders, terminate the Share Option Scheme at any time following which no further grant of options shall be offered but in all other respects the rules of the Share Option Scheme shall continue in full force and effect. Any options granted and accepted prior to such termination, shall continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

(c) Present status of the Share Option Scheme

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

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

OTHER INFORMATION

1. Estate duty, tax and other indemnities

Each of Mr. Tsang, Mr. Zhou, Tai Ah International, Lanling Electrical and SY International (together, the "Indemnifiers") has 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 a material contract referred to in item (e) of the paragraph headed "Summary of material contracts" of 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 by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of our 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 our Company or any of our subsidiaries in the Cayman Islands and the PRC.

Under the deed of indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to taxation (including all costs, charges, interest, fines, penalties and expenses incidental or relating thereto) 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.

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

- (a) to the extent that provision, reserve or allowance has been made for such taxation in the audited combined accounts of our Group or the audited accounts of any members of our Group for each of the three years ended 31 December 2004; or
- (b) to the extent that provision, reserve or allowance will be made in the audited combined accounts of our Group or the audited accounts of any members of our Group covering the period from 1 January 2005 to the date on which the Share Offer becomes unconditional on a basis consistent with that made in the audited combined accounts of our Group or the audited accounts of any members of our Group for each of the three years ended 31 December 2004; or
- (c) relating to any incomes, profits or gains earned, accrued or received by any members of our Group or any event occurred in the ordinary course of business after 31 December 2004; or
- (d) to the extent that such taxation or liability falling on any of the members of our Group would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of such members (whether alone or in conjunction with such other act, omission or transaction) without the prior written consent or agreement of the Indemnifiers, otherwise than carried out or effected in the ordinary and usual course of business after 31 December 2004; or
- (e) 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 Inland Revenue Department of Hong Kong, 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
- (f) to the extent that any provision or reserve made for taxation in the audited combined accounts of our Group or the audited accounts of any members of our Group for each of the three years ended 31 December 2004 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; or

- (g) to the extent that such taxation arises as a result of any members of our Group being in breach of any provision of the deed of indemnity.

Under the deed of indemnity, the Indemnifiers have also jointly and severally undertaken to indemnify our Group against any costs, expenses, claims, liabilities, losses and damages incurred or suffered by any member of our Group in respect of (a) any failure of our Group to obtain the building ownership certificate in respect of property interests owned by our Group set out in appendix III to this prospectus and (b) non-compliance with the PRC rules and regulations by our Group in relation to the non-trade advances made to related companies, details of which are set out in the section headed “Business – Related party transactions – Advances lent to related companies” in this prospectus. For information in relation to the non-trade advances, please refer to the notes to the accountants’ report of our Group set out in appendix I to this prospectus.

2. Litigation

Save as disclosed in the section headed “Business – Legal proceedings and others” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, permission to deal in, the Shares in issue and to be issued as mentioned herein and such number of Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$23,400 and have been paid by us.

5. Promoter

There is no promoter of our Company.

6. Qualifications of experts

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

Name	Qualification
Quam Capital	Licensed corporation under the SFO permitted to conduct Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO)

Altus Capital	Licensed corporation under the SFO permitted to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined in the SFO)
Ernst & Young	Certified public accountants
American Appraisal China Limited	Property valuers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Sinotimes & Partners – PRC Lawyers	PRC legal advisers

7. Consents of experts

Each of the Joint Sponsors, Ernst & Young, American Appraisal China Limited, Conyers Dill & Pearman and Sinotimes & Partners – PRC lawyers has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or references to its name included herein in the form and context in which they are respectively included.

8. Binding effect

This prospectus shall have 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. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commission has been paid or payable (except the commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any shares in or debentures of our Company or any of our subsidiaries; and
 - (iii) 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 our Company or any of our subsidiaries;

- (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; and
- (c) no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued.