

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

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 9th September, 1999 with an authorised share capital of HK\$100,000 divided into 1,000,000 Shares. On 10th September 1999, one Share was allotted and issued to the subscriber to the Company's memorandum of association, Codan Trust Company (Cayman) Limited, and subsequently transferred to Mr. Wu. A further 999,999 Shares were allotted and issued nil paid, as to 799,999 Shares to Mr. Wu, 160,000 Shares to Mr. Tung Fai and 40,000 Shares to Madam Chiu Na Lai. All the nil paid Shares were subsequently paid up in the manner described in paragraph 4 below.

The Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum of association 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 IV to this prospectus.

**2. Changes in share capital**

Pursuant to resolutions in writing of the shareholders of the Company passed on 11th November, 1999, the share capital of the Company was increased to HK\$200,000 by the creation of 1,000,000 Shares, which were on that date allotted and issued, credited as fully paid, as described in paragraph 4 below.

Immediately following the completion of the Share Offer and the Capitalisation Issue, the authorised share capital of the Company will be HK\$50,000,000 divided into 500,000,000 Shares of which 250,000,000 Shares will be allotted and issued fully paid or credited as fully paid, and 250,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme or the exercise of the general mandate referred to in paragraph 3 of this Appendix, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the members 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 paragraphs 1 and 4 of this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

**3. Resolutions of all shareholders of the Company passed on 21st September, 1999 and on 11th November, 1999**

- (a) On 21st September, 1999, pursuant to resolutions in writing passed by all shareholders of the Company and conditional upon the approval being obtained for the listing of the Shares on GEM, the Company adopted the Articles of Association in substitution for and to the exclusion of its then existing articles of association;
- (b) On 11th November, 1999, pursuant to further resolutions in writing passed by all shareholders of the Company and conditional on the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares in issue and to be issued

as mentioned in this prospectus 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 the date falling 30 days after the date of this prospectus:

- (i) the authorised share capital was increased from HK\$200,000 to HK\$50,000,000 by the creation of a further 498,000,000 Shares;
- (ii) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares pursuant thereto;
- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 13 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;
- (iv) conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise HK\$17,300,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 173,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on 11th November, 1999 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing holdings;
- (v) 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 under the Share Offer or the Capitalisation Issue, Shares with an aggregate nominal amount not exceeding the sum of 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein, 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 or any applicable Cayman Islands law to be held or the passing of an ordinary resolution by shareholders of the Company revoking or varying the authority given to the Directors, whichever occurs first;
- (vi) a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase Shares on GEM or any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein 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 or any applicable Cayman Islands law to be held or the passing of an ordinary resolution by shareholders of the Company revoking or varying the authority given to the Directors, whichever occurs first; and

- (vii) the general mandate to allot, issue and deal with Shares was extended to include the nominal amount of the share capital of the Company which is repurchased pursuant to the resolution referred to in paragraph (vi) above.

#### 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 GEM. The reorganisation involved the transfer by Mr. Wu, Mr. Tung Fai and Madam Chiu Na Lai to the Company of an aggregate of 60,000 shares of US\$1.00 each in Yut Yat (being its entire issued share capital), the intermediate holding company of the Group, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, 1,000,000 new Shares, as to 800,000 Shares to Mr. Wu, 160,000 Shares to Mr. Tung Fai and 40,000 Shares to Madam Chiu Na Lai; and (ii) credited as fully paid an aggregate of 999,999 nil paid Shares in issue and held as to 799,999 Shares by Mr. Wu, 160,000 Shares by Mr. Tung Fai and 40,000 Shares by Madam Chiu Na Lai on 11th November, 1999.

In addition to the transfer of shares in Yut Yat referred to above, on 9th September, 1999, Yut Yat acquired all the issued shares in Loyal Faith from the following persons in exchange for which Yut Yat allotted and issued, credited as fully paid, the following number of shares of US\$1.00 each in Yut Yat to such persons:—

<b>Transferor</b>	<b>Transferee</b>	<b>Number of shares in Loyal Faith</b>	<b>Number of shares in Yut Yat allotted to the Transferor</b>
Mr. Wu	Yut Yat	800,000	8,000
Mr. Tung Fai	Yut Yat	100,000	1,000
Madam Chiu Na Lai	Yut Yat	100,000	1,000

On 24th May 1999, 2 shares of HK\$1 each in Topmart were transferred from the original subscribers to Yut Yat and Mr. Wu (on trust for Yut Yat) respectively at a consideration of HK\$2.00.

#### 5. Changes in share capital of the Company's subsidiaries

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus. The following alterations in the share capital of the Company's subsidiaries took place within the two years immediately preceding the date of this prospectus:

- (a) on 9th March 1999, Yut Yat was incorporated with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each;
- (b) on 24th May 1999, 50,000 shares of US\$1.00 each in Yut Yat were allotted and issued, as to 40,000 shares to Mr. Wu, 5,000 shares to Mr. Tung Fai and 5,000 shares to Madam Chiu Na Lai for cash at par;

- (c) on 13th September, 1999, the authorised share capital of Yut Yat was increased to US\$60,000 divided into 60,000 shares of US\$1.00 each, and an additional 8,000 shares were allotted and issued to Mr. Wu, 1,000 shares to Mr. Tung Fai and 1,000 shares to Madam Chiu Na Lai, all credited as fully paid, in consideration of Mr. Wu, Mr. Tung Fai and Madam Chiu Na Lai transferring, in aggregate, 1,000,000 shares of HK\$1.00 each in Loyal Faith (being the entire issued capital of Loyal Faith) to Yut Yat;
- (d) on 5th May, 1999, Topmart was incorporated with an authorised share capital of HK\$2.00 divided into 2 shares of HK\$1 each, one of which was allotted and issued to each of the two subscribers to its memorandum and articles of association for cash at par; and
- (e) on 6th July, 1999, Fuzhou Topmart was incorporated as a wholly foreign-owned enterprise with a registered capital of HK\$1,200,000, which was fully paid in cash on 4th November, 1999.

Save as disclosed herein and in paragraphs 1 and 2 of this Appendix, 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 6 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 GEM Listing Rules permit companies with a listing on GEM to repurchase their shares on GEM subject to certain restrictions, the most important of which are summarised below.

##### (i) Shareholders' approval

All proposed repurchases of shares (which must be fully paid up) by a company with a listing on GEM 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. Such general mandate may only continue in force until the conclusion of the first annual general meeting of the company following the passing of the resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or revoked or waived by ordinary resolution of the shareholders in general meeting whichever occurs first.

*Note:* Pursuant to a resolution in writing passed by all shareholders of the Company on 11th November, 1999, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorising any repurchase by the Company of Shares on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission 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 as at the date of the resolution granting the general mandate, such mandate to expire at the conclusion of the next annual general meeting of the Company following the passing of the resolution at which it shall lapse unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or when revoked or varied by ordinary resolution of shareholders in general meeting of the Company, whichever shall first occur.

(ii) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Company's memorandum and articles of association and the Companies Law. A company whose shares are listed on GEM may not repurchase its own shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands law, repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(iii) Trading restrictions

The total number of shares which a company may repurchase on GEM is shares representing up to a maximum of 10% of the aggregate number of shares in issue as at the date of the resolution granting the mandate to repurchase such shares. 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 warrants, share options or similar instruments requiring the company to issue shares which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. The GEM Listing Rules also prohibit a company from repurchasing its shares on GEM if the repurchase would result in the number of listed shares 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 shares 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 shares (whether effected on GEM or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares will be treated as cancelled.

(v) Suspension of repurchase

A company may not make any repurchase of shares on GEM 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 half-yearly report or quarterly report, a company may not repurchase its shares on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of shares on GEM if a company has breached any of the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of shares on GEM or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to disclose details regarding repurchases of shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per share and the aggregate prices paid. The directors' report shall also contain reference to repurchases made during the year and the reasons for making such repurchases.

(vii) Connected parties

A company is prohibited from knowingly repurchasing shares on GEM from a "connected person", that is, a director, chief executive or substantial shareholder of the Company or any of their associates (as defined in the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company on GEM.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a 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 its shareholders.

(c) *Funding of repurchases*

In repurchasing shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the GEM 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 250,000,000 Shares in issue immediately after the listing of the Shares, would result in up to 25,000,000 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 and having made all reasonable enquiries, any of their respective associates (as defined in the GEM Listing Rules) 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 GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a share repurchase pursuant to the Repurchase Mandate, 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 consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any purchase of Shares which results in the number of Shares held by the public being reduced to less than the minimum prescribed percentage (as defined under the GEM Listing Rules) of the Shares then in issue could only be implemented with the agreement of the Stock Exchange to waive the GEM Listing Rules requirements regarding the public shareholding referred to above.

No connected person (as defined in the GEM 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. Registration under Part XI of the Companies Ordinance**

The Company has established a place of business in Hong Kong at Room 2906, 29/F, China Resources Building, 26 Harbour Road, Hong Kong. The Company has been registered as an overseas company under Part XI of the Companies Ordinance. Ms. So Siu Ping of Flat E, 4th Floor, Block 1, Elegant Garden, 409 Queen's Road West, Hong Kong has been appointed as agent of the Company for the acceptance of service of process and notices in Hong Kong.

### **FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP**

#### **8. Summary of material contracts**

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


- (a) a sale and purchase agreement dated 11th November, 1999 and entered into between Mr. Wu, Mr. Tung Fai and Madam Chiu Na Lai as vendors, and the Company as purchaser for the acquisition of the entire issued capital of Yut Yat in consideration of the allotment and issue, credited as fully paid, of an aggregate of 1,000,000 Shares, as to 800,000 Shares to Mr. Wu, 160,000 Shares to Mr. Tung Fai and 40,000 Shares to Madam Chiu Na Lai and the crediting as fully paid of an aggregate of 999,999 Shares previously allotted and issued nil paid and held as to 799,999 Shares by Mr. Wu, 160,000 Shares by Mr. Tung Fai and 40,000 Shares by Madam Chiu Na Lai;

- (b) a general deed of indemnity dated 15th November, 1999 executed by Mr. Wu, Mr. Tung Fai and Mr. Yang Zhuoya in favour of the Group against any loss which it may suffer as a result of any negligence, fraud, misrepresentation or other unlawful act or omission committed by any of them on or before the date of such deed;
- (c) a deed of tax indemnity dated 15th November, 1999 (“Deed of Tax Indemnity”) executed by Mr. Wu, Mr. Tung Fai and Mr. Yang Zhuoya in favour of the Group containing the indemnities in respect of estate duty and taxation referred to in paragraph 14 of this Appendix;
- (d) the Underwriting Agreement;
- (e) the trade mark licensing agreements and their respective supplemental agreements referred to in paragraph 9(a) of this Appendix; and
- (f) the patent assignment referred to in paragraph 9(b) of this Appendix.

#### 9. Intellectual property rights of the Group

##### (a) Trade mark

Pursuant to two trade mark licensing agreements dated 15th June 1998 and 6th July 1999 respectively and supplemented by two supplemental agreements both dated 9th September, 1999, Supreme Bonus granted an exclusive license to Xiamen Genben and Fuzhou Topmart to use the following registered trade mark in the PRC to Xiamen Genben and Fuzhou Topmart respectively, in both cases, for a fixed term of 25 years commencing from 15th June, 1998 (in the case of Xiamen Genben) and 6th July, 1999 (in the case of Fuzhou Topmart).

Trade mark	Class	Registration Number	Registration Date	Product covered
	1	1080094	21st August 1997	fertiliser

The licence fee payable by Xiamen Genben to Supreme Bonus pursuant to the trade mark licence arrangements referred to above is RMB200,000 for the first year of the term of the licence, and in each year thereafter, an annual sum equivalent to 1% of its total turnover per year, to be paid in arrears prior to 30th June each year.

The licence fee payable by Fuzhou Topmart to Supreme Bonus pursuant to the trade mark licence arrangements referred to above is an annual sum equivalent to 1% of its total turnover per year, to be paid in arrears prior to 31st July each year.

##### (b) Patent

Pursuant to a patent assignment dated 13th September, 1999, Mr. Wu assigned to the Company all his rights and interests in the technical knowhow relating to the production of DCPTA and the patent application in respect thereof which was made to the PRC Patents Registry in Mr. Wu’s name on 16th July, 1999, at a consideration of RMB60,000.



**10. Information on the Group's PRC enterprises****(a) Xiamen Genben**

Xiamen Genben, previously known as Xiamen Defeng Fine Chemical Industry Co. Ltd., is a sino-foreign equity joint venture established in the PRC and engaged in the production and sale of PGRs. The parties to the joint venture are Xiamen Yien Yang and Loyal Faith. The following is a summary of relevant joint venture terms of Xiamen Genben:

Date of incorporation:	9th June, 1997, under the former name of Xiamen Defeng Fine Chemical Industry Co. Ltd.
Operational term:	15 years from 4th January, 1998 (being the date of the business licence)
Total investment:	RMB2,680,000
Registered capital:	RMB1,915,000
Capital contribution:	Xiamen Yien Yang — RMB714,900 Loyal Faith — RMB1,200,100
Equity interests:	Xiamen Yien Yang — 37.33% Loyal Faith — 62.67%
Board of directors:	three directors, one appointed by Xiamen Yien Yang and two appointed by Loyal Faith
Sharing of profits and losses:	Xiamen Yien Yang — 37.33% Loyal Faith — 62.67%
Arrangement on dissolution:	Xiamen Yien Yang and Loyal Faith shall share any excess assets over its liabilities in proportion to their respective capital contributions.

**(b) Fuzhou Topmart**

Fuzhou Topmart is a wholly-owned subsidiary of Topmart, and is a wholly foreign-owned enterprise established in the PRC and engaged in the production and sale of PGRs. The following is a summary of information on Fuzhou Topmart:

Date of incorporation:	6th July, 1999
Operational term:	15 years from 6th July, 1999
Total investment:	HK\$1,700,000
Registered capital:	HK\$1,200,000
Legal representative:	Mr. Wu

**FURTHER INFORMATION ABOUT THE DIRECTORS, SENIOR MANAGEMENT AND STAFF****11. Disclosure of interests***(a) Disclosure of interests of the Directors*

- (i) Save as disclosed in this prospectus, none of the Directors or their associates (as defined in the GEM Listing Rules) was engaged in any dealings with the Group during the two years preceding the date of this prospectus.
- (ii) Each of Mr. Wu and Mr. Tung Fai is interested in the corporate reorganisation referred to under paragraph 4 of this Appendix.

*(b) Particulars of Directors' service contracts*

Each of Mr. Wu, Mr. Tung Fai and Mr. Yang Zhuoya, being all the executive Directors, has entered into a service contract with the Company, in the case of Mr. Wu, for a term of 10 years, and in the case of Mr. Tung Fai and Mr. Yang Zhuoya, for a term of three years, all commencing from 15th November, 1999, 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 a basic salary (subject to an annual increment at a rate to be determined by a majority of the Directors). In addition, each of the executive Directors is also entitled to a management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors who are entitled to such bonuses for any financial year of the Company may not exceed 6% of the audited consolidated or combined net profit of the Company (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of the Company. The Directors' entitlement to the management bonus in respect of the year ending 30th June, 2000 is conditional upon the combined net profit of the Company (after taxation and minority interests and the payment of such bonuses but before extraordinary items) for that year being not less than HK\$28.2 million. Under the Articles of Association and the service contracts between the Directors and the Company, an executive Director may not vote on any resolution of the Directors regarding the amount of the annual increment and management bonus payable to him/her. The basic annual salaries of the executive Directors under the service contracts are as follows:

<b>Name</b>	<b>Annual Salary</b>
Mr. Wu	HK\$360,000
Mr. Tung Fai	HK\$360,000
Mr. Yang Zhuoya	HK\$360,000

Save as disclosed in this prospectus, 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 30th June, 1999, the aggregate emoluments paid by the Group to the Directors were approximately HK\$229,000.
- (ii) Under the arrangements currently in force, the aggregate amount of fees and other emoluments payable to the Directors for the year ending 30th June, 2000 is estimated to be approximately HK\$1,650,000.

(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 capital 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 on the GEM 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 which will be required pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

Director	Type of Interest	Number of Shares
Mr. Wu	Personal interest	140,000,000
Mr. Tung Fai	Personal interest	28,000,000

(e) *Related parties transactions*

- (i) During the two years preceding the date of this prospectus, the Group had engaged in dealings with the Chaoda Group, a group of companies controlled by Mr. Kwok Ho, a former director of Loyal Faith and the spouse of Madam Chiu Na Lai, a former substantial shareholder of Loyal Faith and Yut Yat and a former director of Loyal Faith, Yut Yat and Topmart as described in the paragraph headed "Relationship with the Chaoda Group" under the section headed "Business" of this prospectus.
- (ii) Pursuant to a patent assignment dated 13th September, 1999, Mr. Wu assigned to the Company his rights and interests in the Group's production knowhow and the patent application in respect thereof at a consideration of RMB60,000. Particulars of the assignment are set out in paragraph 9 of this appendix.

(f) *Disclaimers*

Save as disclosed in this prospectus:

- (i) 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, 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 nominal value at any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;

- (ii) none of the Directors has for the purpose of section 28 of the SDI Ordinance or the GEM 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 rules 5.40 to 5.59 of the GEM Listing Rules by the Directors once the Shares are listed on GEM;
- (iii) none of the Directors or the experts named in paragraph 19 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 the Offer Shares either in his own name or in the name of a nominee;
- (iv) no Director 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
- (v) none of the experts named in paragraph 19 of 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.

(g) *Miscellaneous*

Mr Lam Ming Yung, who is a non-executive Director, is a PRC lawyer practising with the firm of Fong & Ng, legal advisers to the Company on Hong Kong law, which firm will be receiving professional fee for its service rendered to the Company.

## 12. Substantial shareholder

So far as the Directors are aware, immediately following the Share Offer and the Capitalisation Issue and taking no account of Shares which may be taken up under the Share Offer, the following shareholder will be interested in 10% or more of the Shares then in issue.

Name	No of Shares	Percentage of issued Shares
Mr. Wu	140,000,000	56.0%
Mr. Tung Fai	28,000,000	11.2%

### 13. Share Option Scheme

#### (a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the resolutions passed by all shareholders of the Company on 11th November, 1999:

##### (i) Who may join

The Directors may, at their absolute discretion, invite any full time employee (“eligible employee”) of the Company or any of its subsidiaries, including any executive director of the Company or any such subsidiary, to take up options to subscribe for Shares.

##### (ii) Price for Shares

The subscription price for Shares under the Share Option Scheme will be a price determined by the Directors, which shall be calculated with reference to the higher of (i) the closing price of the Shares on GEM on the date of grant of the option, and (ii) the average closing price of the Shares on GEM for the five trading days immediately preceding the date of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

##### (iii) Maximum number of Shares

(aa) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme may not (when aggregated with Shares subject to any other employee share option scheme) exceed in nominal amount of 10% of the issued share capital of the Company for a specified period of 10 consecutive years (the “10-year period”), excluding for this purpose, Shares issued upon the exercise of any options granted under the Share Option Scheme (or any other employee share option scheme) and any pro rata entitlements to further Shares issued in respect of those Shares mentioned above.

(bb) No option may be granted to any one person which, if exercised in full, will result in the total number of Shares already issued and which may fall to be issued to him under all the options previously granted to him pursuant to the Share Option Scheme exceeding 25% of the maximum aggregate number of Shares for the time being issued and which may fall to be issued under the Share Option Scheme.

##### (iv) Time of exercise of option

An option may be accepted by an employee within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period from the expiry of three years from the date upon which the option is deemed to be granted and accepted and ending on a date as determined by the Board, which in any event shall not exceed 10 years from that date, subject to the provisions for early termination thereof.

No option may be granted more than 10 years after the date of adoption of the Share Option Scheme.

(v) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable save as provided under the rules of the Share Option Scheme.

(vi) Rights on ceasing employment

If the grantee of an option ceases to be an eligible employee of the Group for any reason other than death, ill-health or retirement in accordance with his contract of employment or for other grounds referred to in subparagraph (viii) below before exercising his option in full, the option (to the extent not already exercised) will lapse 30 days after the date of cessation and will not be exercisable unless the Directors otherwise determine, in which event, the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Group whether salary is paid in lieu of notice or not.

(vii) Rights on death, ill-health or retirement

If the grantee of an option ceases to be an eligible employee of the Group by reason of his death before exercising the option in full, his personal representative(s) may exercise the option (to the extent not already exercised) within a period of 12 months following the date of death. If the grantee of an option ceases to be an eligible employee of the Group by reason of his ill-health or retirement in accordance with his contract of employment before exercising the option in full, the grantee may exercise the option (to the extent not already exercised) within a period of three months following the date of cessation.

(viii) Rights on dismissal

If the grantee of an option ceases to be an eligible employee of the Group by reason that he has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty (other than an offence which in the opinion of the Directors does not bring the grantee or the Company into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an eligible employee.

(ix) Effect of alterations to capital

In the event of any alteration in the structure of the Company whether by way of reduction, sub-division or consolidation of the share capital of the Company, rights issue or capitalisation of profits or reserves other than an issue of Shares as consideration in respect of a transaction to which the Company is a party and alterations made on a capitalization issue, any alteration to the number or nominal amount of Shares comprised in each option, the option price and/or the method of exercise of the option shall be

conditional on the auditors of the Company confirming in writing to the Board that the adjustments proposed is on the basis that the proportion of the equity capital of the Company that grantee is entitled to after adjustment shall remain the same as that before the adjustment and that no Shares will be issued at less than the nominal value.

(x) Rights on general offer

If a general offer is made to acquire all or part of the issued Shares, or all or part of the issued Shares other than those held by the offeror and any person acting in concert with the offeror, the Company shall give written notice to all the grantees of such vesting as soon as reasonably practicable after becoming so aware. Each grantee may, within 21 days of the date of such notice, by notice in writing to the Company exercise his or her option to its full extent or to the extent specified in his or her notice to the Company.

(xi) Rights on a compromise or arrangement

In the event of a compromise or arrangement between the Company and its creditors or any of its members, a grantee may by notice in writing to the Company, within the period of 21 days after the date of application to the court in connection with the proposed compromise or arrangement, exercise his or her option to its full extent or to the extent specified in such notice. Upon the compromise or arrangement becoming effective, all options shall lapse except insofar as exercised.

(xii) Rights on winding up

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time prior to the date on which such resolution is passed, exercise his or her option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the Shares in issue on the day prior to the date of such resolution.

(xiii) Ranking of Shares

- (aa) Shares allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the fully paid Shares in issue at the date of allotment (except in relation to a dividend or distribution previously declared or recommended or resolved to be paid or paid) if the record date thereof shall be before such date of allotment.
- (bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, reclassification or reduction of the share capital of the Company from time to time.

(xiv) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the shareholders of the Company in general meeting, with grantees and their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll.

(xv) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted by a resolution of the shareholders of the Company in general meeting.

(xvi) Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in rule 23.03 of the GEM Listing Rules will not be altered to the advantage of the grantees or prospective grantees except with the prior sanction of a resolution of the Company in general meeting, with the grantees and their associates abstaining from voting.

(xvii) Administration of the Share Option Scheme

The Company will bear the costs of establishing and administering the Share Option Scheme and the Share Option Scheme will be administered by a committee comprising the independent non-executive Directors.

(xviii) Termination of the Share Option Scheme

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

(xix) Price Sensitive Development

Any grant of options will not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period of one month immediately preceding the preliminary announcement of annual results or the publication of interim results, no option will be granted until such information has been so announced.

(xx) Others

The Share Option Scheme is conditional on the GEM Listing Committee of the Stock Exchange granting approval of such scheme, the subsequent grant of options by the Company pursuant thereto and 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.



(b) *Present status of the Share Option Scheme*

Application has been made to the GEM 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.

## OTHER INFORMATION

### 14. Estate duty and tax indemnity

Mr. Wu, Mr. Tung Fai and Mr. Yang Zhuoya have entered into the Deed of Tax Indemnity in favour of the Group (being material contract (c) referred to in paragraph 8 of this Appendix) to provide indemnities in favour of the Group 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 by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of the Group on or before the date of the Deed of Tax Indemnity. The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands, the British Virgin Islands and the PRC.

Under the Deed of Tax Indemnity, Mr. Wu, Mr. Tung Fai and Mr. Yang Zhuoya have also given indemnities in favour of the Group on a joint and several basis in relation to, among other things, taxation which might be payable by any member of the Group in respect of any income, profits, gains earned, accrued or received on or before the date of the Deed of Tax Indemnity, save in certain circumstances including where provision has been made for such taxation in the combined audited accounts of the Group for the period ended 30th June, 1999.

### 15. Litigation

Neither the Company nor any of its subsidiaries is 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.

### 16. Sponsor

ICEA, together with the Company, has made an application to the GEM 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 Shares which may fall to be issued upon the exercise of options which may be granted under the Share Option Scheme on GEM.

### 17. Preliminary expenses

The estimated preliminary expenses of the Company are approximately US\$2,500 and are payable by the Company.

### 18. Promoter

(a) The promoter of the Company is Mr. Wu Shaoning.

- (b) Save as disclosed in this prospectus, and in particular, in paragraphs 1, 4 and 11 of this Appendix and note (f) of paragraph 3 of Appendix I to this prospectus, within the two years preceding the date of this prospectus, no cash, securities or benefit has been paid, allotted or given to the promoter named in sub-paragraph (a) above or proposed to be paid, allotted or given, to the said promoter.

#### 19. Qualifications of experts

The qualifications of the experts who have given their opinion which is contained in this prospectus are as follows.

<b>Name</b>	<b>Qualification</b>
ICEA	Registered dealer
Arthur Andersen & Co	Certified public accountants
Charles Chan, Ip & Fung CPA Ltd	Certified public accountants
Sallmanns (Far East) Limited	Chartered surveyors
Conyers Dill & Pearman, Cayman	Cayman Islands barristers and attorneys
Guangzhou Foreign Economic Law Office	PRC lawyer

#### 20. Consents of experts

ICEA, Arthur Andersen & Co, Charles Chan, Ip & Fung CPA Ltd, Sallmanns (Far East) Limited, Conyers Dill & Pearman, Cayman and Guangzhou Foreign Economic Law Office have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

#### 21. 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.

#### 22. Taxation of holders of Shares

##### (a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

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.

(b) *Cayman Islands*

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Professional tax advice recommended*

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.

23. **Miscellaneous**

(a) Save as disclosed herein:

(i) within two years 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 commission, discount, brokerage 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 or trading position or prospects of the Group since 30th June, 1999 (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) Subject to the provisions of the Companies Law, 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 HKSCC Registrars Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by the Company's branch 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 to CCASS.

(e) The management shareholders, the substantial shareholders and the controlling shareholder of the Company and their respective associates and the Sponsor have no interest in a business which competes or may compete with the business of the Group and have no conflict of interest with the Group.