

FURTHER INFORMATION ABOUT THE COMPANY**Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 February, 2000. The Company was formerly known as “Sino Biotech Limited (中国生物科技有限公司)” and subsequently changed its name to “Sino Biopharmaceutical Limited (中國生物製藥有限公司)” on 20 June, 2000.

The Company has established a place of business in Hong Kong at Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong and was registered on 5 April, 2000 as an oversea company under Part XI of the Companies Ordinance. In connection with such application, Ms. Tse Wun has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

The Company was incorporated in the Cayman Islands and is subject to the Companies Law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

Changes in share capital

As at the date of incorporation of the Company, its initial authorised share capital was HK\$380,000 divided into 3,800,000 Shares. On 2 February, 2000, one Share was allotted and issued at par to the initial subscriber, Codan Trust Company (Cayman) Limited and then transferred to Mr. Tse Ping on the same day.

Pursuant to written resolutions of the sole shareholder of the Company passed on 19 September, 2000, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of 996,200,000 Shares.

On 19 September, 2000, the Company allotted and issued 107,999,999 Shares to Conspicuous Group Limited, 57,317,760 Shares to Remarkable Industries Limited and 65,802,240 Shares to Validated Profits Limited as directed by Mr. Tse Ping credited as fully paid as consideration for (a) the acquisition by the Company of the entire issued share capital of CTL from Mr. Tse Ping and (b) the acquisition by the Company of 91 per cent. of the issued share capital of Sino Technology from Mr. Tse Ping and (c) the acquisition by the Company of the entire issued share capital of Champion First from Mr. Tse Ping.

On 19 September, 2000, the Company allotted and issued in aggregate 8,880,000 Shares to Discover Profits Limited as directed by Well Base (Asia) Limited credited as fully paid as consideration for the acquisition by the Company of 9 per cent. of the issued share capital of Sino Technology from Well Base (Asia) Limited.

On 19 September, 2000, Mr. Tse Ping transferred one Share to Conspicuous Group Limited at its nominal value of HK\$0.10.

Assuming that the Placing becomes unconditional and the issue of the Placing Shares mentioned herein are made but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the authorised share capital of the Company will be HK\$100,000,000 divided into 1,000,000,000 Shares and the issued share capital of the Company will be HK\$30,000,000 divided into 300,000,000 Shares fully paid or credited as fully paid, with 700,000,000 Shares remaining unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the shareholders of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

Written resolutions of the sole shareholder of the Company passed on 20 June, 2000 and 19 September, 2000

On 20 June, 2000, written resolutions of the sole shareholder of the Company were passed pursuant to which:—

- (a) the name of the Company was changed from “Sino Biotech Limited 中国生物技术有限公司” to “Sino Biopharmaceutical Limited 中國生物製藥有限公司”; and
- (b) the memorandum and articles of association of the Company were amended by replacing all references to “Sino Biotech Limited 中国生物技术有限公司” with “Sino Biopharmaceutical Limited 中國生物製藥有限公司” to reflect the name change.

On 19 September, 2000, written resolutions of the sole shareholder of the Company were passed pursuant to which, inter alia:—

- (a) the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of 996,200,000 new Shares;
- (b) the Directors were authorised to allot and issue, credited as fully paid, (i) a total of 231,119,999 Shares, as to 107,999,999 Shares to Conspicuous Group Limited representing consideration for the acquisition by the Company of the entire issued share capital of CTL, 57,317,760 Shares to Remarkable Industries Limited representing consideration for the acquisition by the Company of 91 per cent. of the issued share capital of Sino Technology and 65,802,240 Shares to Validated Profits Limited representing consideration for the acquisition by the Company of the entire issued share capital of Champion First, in each case as directed by Mr. Tse Ping and (ii) a total of 8,880,000 Shares to Discover Profits Limited as directed by Well Base (Asia) Limited representing consideration for the acquisition by the Company of 9 per cent. of the issued share capital of Sino Technology;
- (c) conditional on (i) the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming

unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before 18 October, 2000 (or such later date as DBS Asia may agree), the Placing and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Placing Shares including the Shares which may be required to be issued if the Over-allotment Option is exercised;

- (d) conditional on (i) the GEM Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any option granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder) and not being terminated in accordance with the terms of that agreement or otherwise, the rules of the Share Option Scheme were approved and adopted, and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;
- (e) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or an issue of shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company or a specific authority granted by the shareholders of the Company in general meeting, Shares with an aggregate nominal value not exceeding 20 per cent. of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing, such mandate to remain in effect until whichever is the earliest of:—
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;
- (f) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange for this

purpose such number of Shares as will represent up to 10 per cent. of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing, such mandate to remain in effect until whichever is the earliest of:—

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above provided that such extended amount shall not exceed 10 per cent. of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing; and
- (h) conditional upon the approval being obtained for the listing of the Shares on GEM, the Company approved and adopted new articles of association, the terms of which are summarised in Appendix IV to this prospectus, in substitution for and to the exclusion of all the previous articles of association of the Company.

Corporate Reorganisation

The companies comprising the Group underwent a reorganisation on 19 September, 2000 to rationalise the Group's structure in preparation for the listing of the Shares on GEM. CTL, Sino Technology and Champion First became the Group's intermediate holding companies and the Company became the ultimate holding company within the Group. The corporate reorganisation involved the following:—

- (a) the Company acquired from Mr. Tse Ping:—
 - (i) the entire issued share capital of CTL;
 - (ii) 91 per cent. of the issued share capital of Sino Technology; and
 - (iii) the entire issued share capital of Champion First

in consideration of the issue and allotment by the Company of 107,999,999 Shares to Conspicuous Group Limited, 57,317,760 Shares to Remarkable Industries Limited and 65,802,240 Shares to Validated Profits Limited as directed by Mr. Tse Ping; and

- (b) the Company acquired from Well Base (Asia) Limited 9 per cent. of the issued share capital of Sino Technology in consideration of the issue and allotment by the Company of 8,880,000 Shares to Discover Profits Limited as directed by Well Base (Asia) Limited.

Changes in the share capital of subsidiaries

The Company's subsidiaries are referred to in the accountants' report, the text of which is 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 20 July, 1998, CTL acquired a 60 per cent. interest in CTT from CTH in consideration of RMB40,800,000 (HK\$38,130,000). Approval for the said transfer was granted by Lianyungang Foreign Economic and Trade Commission (連雲港市對外經濟貿易委員會) on 27 October, 1998.
- (b) On 30 June, 2000, CTL allotted and issued credited as fully paid 1 share of US\$1 to Mr. Tse Ping as directed by CTPM to set off the outstanding indebtedness in the sum of HK\$36,217,658 due from CTL to CTPM as of 30 June, 2000.
- (c) (i) On 19 March, 1999, CTPM transferred the two non-voting deferred shares of HK\$1 each of Sino Technology to Mr. Tse Ping. On the same day, CTPM also transferred one ordinary share of HK\$1 each in the capital of Sino Technology to Mr. Tse Ping. Well Chance Nominees Limited transferred one ordinary share of HK\$1 in the capital of Sino Technology to Ms. Chia Fai.
- (ii) The rights and restrictions attached to the ordinary and non-voting deferred shares in the capital of Sino Technology referred to in sub-paragraph (i) above are as follow:—
- (1) *as regards income* — the profits which Sino Technology may determine to distribute in respect of any financial period shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of such profits shall be distributed among the holders of the non-voting deferred shares;
- (2) *as regards capital* — on a return of assets on a winding-up or otherwise, the assets of Sino Technology to be returned shall be distributed as regards the first HK\$1,000,000,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of the ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares, in each case in proportion to the nominal amounts of shares held by them respectively; and
- (3) *as regards voting* — on a show of hands every holder of ordinary shares who (being an individual) is present in person or (being a corporation) is represented by its authorised representative shall have one vote, and on a poll, every holder of ordinary shares present in person or by proxy or, in the case of a corporation, by its authorised representative shall have one vote for every ordinary share

held by him/it, but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of Sino Technology.

- (iii) Pursuant to a special resolution passed on 26 July, 1999, each of the 2 non-voting deferred shares of HK\$1 each in the issued share capital of Sino Technology then held by Mr. Tse Ping was converted into an ordinary share of HK\$1 which had the rights and privileges and rank *pari passu* in all respects with the existing ordinary shares of Sino Technology.

On the same day, 900 ordinary shares of HK\$1 each in the capital of Sino Technology were issued and allotted to Well Base (Asia) Limited and 8,096 ordinary shares of HK\$1 each in the capital of Sino Technology were issued and allotted to Mr. Tse Ping.

- (iv) On 6 December, 1999, 1,000 ordinary shares of HK\$1 each in the capital of Sino Technology were issued and allotted to Mr. Tse Ping.
 - (v) Pursuant to an ordinary resolution passed on 24 March, 2000, the authorised share capital of Sino Technology was increased from HK\$10,000 to HK\$10,100 by the creation of an additional 100 ordinary shares of HK\$1.00 each, such new shares ranking *pari passu* in all respects with the existing shares in the capital of Sino Technology.
 - (vi) On 30 June, 2000, Sino Technology allotted and issued credited as fully paid 91 shares of HK\$1.00 each to Mr. Tse Ping as directed by CTPM to set off the outstanding indebtedness in the sum of HK\$10,542,859 due from Sino Technology to CTPM as of 30 June, 2000; and allotted and issued for cash at par 9 shares of HK\$1.00 each to Well Base (Asia) Limited.
- (d) (i) Following its incorporation on 22 September, 1998, Champion First issued 1 share of US\$1 to Mr. Tse Ping for cash at par on 27 October, 1998.
 - (ii) On 30 June, 2000, Champion First allotted and issued credited as fully paid 1 share of US\$1 to Mr. Tse Ping to set off the outstanding indebtedness in the sum of HK\$29,834,244 due from Champion First to Mr. Tse Ping as of 30 June, 2000.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

Repurchase by the Company of its own securities

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

(a) *Regulations of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:—

(i) *Shareholders' approval*

All repurchases of securities on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to a written resolution of the sole shareholder of the Company passed on 19 September, 2000, a general unconditional mandate (the “Buyback Mandate”) was given to the Directors authorising any repurchase by the Company of Shares on GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange of up to 10 per cent. of the total nominal value of the share capital of the Company in issue immediately after completion of the Placing, at any time until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Laws or any other applicable laws of the Cayman Islands to be held or the passing of an ordinary resolution of shareholders of the Company in general meeting revoking, varying or renewing such mandate, whichever occurs first.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

(iii) *Trading restrictions*

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10 per cent. of the aggregate nominal value of the issued share capital of that company at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the result of the repurchases would be that the number of the listed securities in public hands would be below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange. A company may only repurchase shares on GEM if (1) the purchase price is not higher than the latest (or current) independent bid price or the last independent sale (contract) price quoted or reported on the system (as defined in the Rules of the Stock Exchange),

whichever is higher; and (2) the company has not made the opening bid nor any bid in the last 30 minutes before the close of normal trading hours as stipulated in the Rules of the Stock Exchange.

(iv) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is 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 the company's half-year report or a quarterly report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities 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 include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) *Connected parties*

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined under the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company. As at the Latest Practicable Date and to the best of the knowledge of the Directors have made all reasonable enquiries, none of the Directors or their associates has a present intention to sell Shares to the Company.

(b) *Exercise of the buyback mandate*

Exercise in full of the buyback mandate, on the basis of 300,000,000 Shares in issue immediately after completion of the Placing and taking no account of the Shares which may be allotted pursuant to the Over-allotment Option could accordingly result in up to 30,000,000 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the repurchase mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(d) *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 and the applicable laws and regulations of the Cayman Islands. The Company may not purchase its securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) *General*

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

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

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of

shareholders acting in concert, depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code.

Information about the Group's principal PRC enterprises

The Company has interests in three PRC enterprises, namely CTT, CTF and CTQ. Certain particulars of these enterprises are as follows:—

(a) CTT

Nature:	Sino-foreign equity joint venture
Registered capital:	RMB68,000,000 (fully contributed)
Total investment amount:	RMB130,350,000
Joint venture parties:	CTL and Jiangsu Tianqing
Attributable interest of the Company:	60 per cent.
Date of establishment:	16 April, 1997
Term of joint venture:	50 years
Capital contribution:	RMB68,000,000
Profit and loss sharing ratio:	in accordance with the ratio of equity interest
Arrangement upon liquidation:	in accordance with the ratio of equity interest
Restriction on transfer of equity interest:	other party has pre-emption right

(b) CTF

Nature:	Sino-foreign equity joint venture
Registered capital:	RMB20,000,000 (fully contributed)
Total investment amount:	RMB28,000,000
Joint venture parties:	Sino Technology, Shandong Biopharmaceutical and FII
Attributable interest of the Company:	55 per cent.
Date of establishment:	31 March, 1992
Term of joint venture	50 years
Capital contribution:	RMB20,000,000
Profit and loss sharing ratio:	in accordance with the ratio of equity interest
Arrangement upon liquidation:	in accordance with the ratio of equity interest
Restriction on transfer of equity interest:	other parties have pre-emption right

(c) CTQ

Nature:	Sino-foreign equity joint venture
Registered capital:	RMB128,500,000 (fully contributed)
Total investment amount:	RMB248,000,000
Joint venture parties:	CTH, China Qingchunbao and 杭州正大青春寶 職工持股協會 (Hangzhou City Chia Tai Qingchunbao Staff Stock Fund)

Attributable interest of the Company:	5 per cent.
Date of establishment:	6 November, 1992
Term of joint venture:	50 years
Capital contribution:	RMB128,500,000
Profit and loss sharing ratio:	in accordance with the ratio of equity interest
Arrangement upon liquidation:	in accordance with the ratio of equity interest
Restriction on transfer of equity interest:	other parties have pre-emption right

FURTHER INFORMATION ABOUT THE BUSINESS

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) an underwriting agreement dated 21 September, 2000 entered into among the Company, the executive Directors, the Sponsor, the Underwriters, Mr. Tse Ping, Conspicuous Group Limited, Remarkable Industries Limited, Validated Profits Limited, Mr. Wang Jinyu and Discover Profits Limited in relation to the underwriting of the Placing Shares;
- (B) a deed of indemnity dated 21 September, 2000 executed by Mr. Tse Ping in favour of the Company and its subsidiaries, providing certain indemnities as referred to in the paragraph headed “Estate duty and tax indemnity” in the section headed “Other Information” in this Appendix;
- (C) a sponsor’s agreement dated 21 September, 2000 entered into between the Company and the Sponsor relating to the requirement under Rules 6.01 and 11.09 of the GEM Listing Rules;
- (D) a share purchase agreement dated 19 September, 2000 between Mr. Tse Ping, Well Base (Asia) Limited, the Company and Mr. Wang Jinyu whereby:—
 - (i) Mr. Tse Ping agreed to sell to the Company:—
 - (a) the entire issued share capital in CTL in consideration of the issue and allotment by the Company of 107,999,999 Shares credited as fully paid;
 - (b) 91 per cent. of the issued share capital in Sino Technology in consideration of the issue and allotment by the Company of 57,317,760 Shares credited as fully paid; and
 - (c) the entire issued share capital in Champion First in consideration of the issue and allotment by the Company of 65,802,240 Shares credited as fully paid

which Shares were at Mr. Tse Ping's direction allotted and issued, as to 107,999,999 Shares to Conspicuous Group Limited, as to 57,317,760 Shares to Remarkable Industries Limited and as to 65,802,240 Shares to Validated Profits Limited; and


- (ii) Well Base (Asia) Limited agreed to sell to the Company 9 per cent. of the issued share capital in Sino Technology in consideration of the issue and allotment by the Company of 8,880,000 Shares credited as fully paid to Discover Profits Limited (as directed by Well Base (Asia) Limited);
- (E) a non-competition undertaking dated 19 September, 2000 executed by Mr. Tse Ping in favour of the Company, providing certain undertakings as referred to in the paragraph headed "Non-Competition Undertaking" under the section headed "Competing Business of the Initial Management Shareholders and Non-Competition Undertaking" in this prospectus;
- (F) a set-off deed of indebtedness dated 30 June, 2000 entered into between CTL, CTPM and Mr. Tse Ping pursuant to which CTL agreed to allot and issue credited as fully paid 1 share of US\$1 to Mr. Tse Ping as directed by CTPM to set off the outstanding indebtedness in the sum of HK\$36,217,658 due from CTL to CTPM as of 30 June, 2000;
- (G) a set-off deed of indebtedness dated 30 June, 2000 entered into between Sino Technology, CTPM and Mr. Tse Ping pursuant to which Sino Technology agreed to allot and issue credited as fully paid 91 shares of HK\$1.00 each to Mr. Tse Ping as directed by CTPM to set off the outstanding indebtedness in the sum of HK\$10,542,859 due from Sino Technology to CTPM as of 30 June, 2000;
- (H) a set-off deed of indebtedness dated 30 June, 2000 entered into between Champion First and Mr. Tse Ping pursuant to which Champion First agreed to allot and issue credited as fully paid 1 share of US\$1 to Mr. Tse Ping to set off the outstanding indebtedness in the sum of HK\$29,834,244 due from Champion First to Mr. Tse Ping as of 30 June, 2000;
- (I) a patent licensing agreement dated 1 February, 2000 entered into between Ling Peixue and CTF pursuant to which Ling Peixue agreed to grant a license to CTF to use the patents as referred in sub-paragraph C of the paragraph headed "Intellectual property" in the section headed "Further Information about the Business" in this Appendix;
- (J) a transfer agreement dated 25 December, 1999 entered into between CTF and Shandong Biopharmaceutical (as transferors) and 山東正達科技有限公司 (as transferee) pursuant to which CTF and Shandong Biopharmaceutical agreed to dispose all their respective 25 per cent. and 75 per cent. interest in the registered capital of 山東福瑞達精細化工有限公司 to 山東正達科技有限公司 in consideration of a total amount of RMB3,000,000 (of which RMB750,000, being 25 per cent. of the total consideration, was attributable to CTF);
- (K) an agreement dated 10 July, 1999 entered into between Jiangsu Tianqing and CTT whereby Jiangsu Tianqing advanced a sum of staff wages in the amount of RMB11,414,574.59 and a sum of staff welfare fund in the amount of RMB2,745,932.53, both to CTT repayable on 31 January, 2000, pursuant to which CTT has to pay Jiangsu Tianqing a sum of RMB2,600,000 for keeping the funds provided by Jiangsu Tianqing;

- (L) a fund agreement dated 10 May, 1999 entered into between Shandong Biopharmaceutical and CTF whereby Shandong Biopharmaceutical advanced a sum in the amount of RMB2,400,000 to CTF repayable on 31 December, 1999 with an interest rate of 0.5115 per cent. per month;
- (M) a fund agreement dated 10 May, 1999 entered into between Shandong Research Institute and CTF whereby Shandong Research Institute advanced a sum in the amount of RMB7,600,000 to CTF repayable on 31 December, 1999 with an interest rate of 0.5115 per cent. per month;
- (N) an agreement dated 27 October, 1998 entered into among CTPM, Golden News, Champion First, Mr. Tse Ping and S.I. Pharmaceutical Holdings Limited whereby CTPM agreed to sell to Golden News the entire issued share capital of CTH in consideration of RMB381,818,000 (HK\$357,206,473.95) for the ordinary shares and US\$2.00 for the non-voting deferred shares;
- (O) a transfer agreement dated 20 July, 1998 entered into between CTH and CTL pursuant to which CTH agreed to dispose all its 60 per cent. interest in the registered capital of CTT to CTL in consideration of an amount of RMB40,800,000 (HK\$38,130,000);
- (P) a joint venture contract dated 26 October, 1998 entered into between Jiangsu Tianqing and CTL pursuant to which CTL has become a joint venture partner with Jiangsu Tianqing in CTT; and
- (Q) the joint venture articles of association dated 26 October, 1998 entered into between Jiangsu Tianqing and CTL pursuant to which CTL has become a joint venture partner with Jiangsu Tianqing in CTT.

Intellectual property





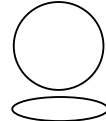
As at the Latest Practicable Date, the Group had the following intellectual property:—

A. Trademarks owned by CTF

Trademark	Country of Registration	Registration Number	Class	Expiry Date
润舒	PRC	1290252	5	6 July, 2009
润舒	PRC	734322	5	13 March, 2005
	PRC	638082	5	20 April, 2003
CPF	PRC	964239	5	20 March, 2007
FREDA	PRC	744730	5	13 May, 2005

Trademark	Country of Registration	Registration Number	Class	Expiry Date
HEPUDIOD	PRC	932621	5	20 January, 2007
真瑞	PRC	1290251	5	6 July, 2009
卡米可林	PRC	960671	5	13 March, 2007
iviz	PRC	964237	5	20 March, 2007
施沛特	PRC	964238	5	20 March, 2007
施沛克	PRC	956789	5	6 March, 2007
海伦	PRC	924693	5	6 January, 2007
双兔欣	PRC	924694	5	6 January, 2002
HoyaSH	PRC	1174254	5	13 May, 2008
凯瑞	PRC	924692	5	6 January, 2007
润尔乐	PRC	734321	5	13 March, 2005
维伦	PRC	956611	5	6 March, 2007

B. *Trademarks owned by CTT*

Trademark	Country of Registration	Registration Number	Class	Expiry Date
	PRC	862148	5	13 August, 2006
	PRC	800109	5	20 December, 2005
	PRC	800111	5	20 December, 2005
	PRC	800106	5	20 December, 2005
	PRC	800107	5	20 December, 2005

Trademark	Country of Registration	Registration Number	Class	Expiry Date
	PRC	800108	5	20 December, 2005
	PRC	853283	31	6 July, 2006
	PRC	780452	5	6 October, 2005
	PRC	124732	31	28 February, 2003
	PRC	650370	5	20 July, 2003
	PRC	743401	5	6 May, 2005
	PRC	768119	5	27 September, 2005
	PRC	780451	5	6 October, 2005
	PRC	800110	5	20 December, 2005
	PRC	800112	5	20 December, 2005
	PRC	800128	5	20 December, 2005
	PRC	800129	5	20 December, 2005
	PRC	800130	5	20 December, 2005
	PRC	800131	5	20 December, 2005
	PRC	800132	5	20 December, 2005
	PRC	800133	5	20 December, 2005
	PRC	800134	5	20 December, 2005

Trademark	Country of Registration	Registration Number	Class	Expiry Date
仁怡	PRC	800135	5	20 December, 2005
伊凡利	PRC	800136	5	20 December, 2005
依麟	PRC	800137	5	20 December, 2005
白思千	PRC	800138	5	20 December, 2005
中金	PRC	804209	5	6 January, 2006
太白	PRC	804210	5	6 January, 2006
	PRC	268991	31	19 November, 2006
希克勞	PRC	996927	5	6 May, 2007
君欣	PRC	1056736	5	20 July, 2007
伸宁	PRC	1056738	5	20 July, 2007
益通	PRC	1056793	5	20 July, 2007
松迪	PRC	1062557	5	27 July, 2007
疏可韌	PRC	1062559	5	27 July, 2007

C. *Patents licensed to CTF pursuant to the patent licensing agreement referred to in subparagraph (I) of the paragraph headed “Summary of material contracts” in the section headed “Further Information about the Business” in this Appendix.*

(a) Patents for invention already granted

Name	Country of Registration	Registration Number	Expiry Date	Patent owner
Hyaluronan-containing chloromycetin eyedrops and its production method (含玻璃酸鈉的氯霉素滴眼液及其製作方法)	PRC	ZL93111305.9	16 June, 2013	Ling Peixue

(b) Patents for inventions under applications

Name	Country of Application	Application/announcement Number	Application Date	Patent owner
Low molecular hepain-containing ointment and its production method (含有低分子肝素 的軟膏及其製作方法)	PRC	96116071.3 (CN1183281A)	22 November, 1996	Ling Peixue
Hyaluronan-containing eyedrops and its production method (含有玻璃酸鈉的滴眼液 及其製作方法)	PRC	96116072.1	22 November, 1996	Ling Peixue

D. *Patents owned by CTF*

(a) Patents for new model design

Name	Country of Registration	Registration Number	Expiry Date
A dropping bottle for eyedrops (一種滴眼瓶) A disposable syringe with canned injection (一種可預灌裝藥液 的一次性注射器)	PRC	ZL96248443.1	26 November, 2006
	PRC	ZL97206093.6	26 February, 2006

(b) Patents for outward appearance design

Name	Country of Registration	Registration Number	Expiry Date
A packing box for eyedrops (一種滴眼液包裝盒)	PRC	ZL97317942.2	30 December, 2007
A packing box for injections (一種注射液包裝盒)	PRC	ZL97317943.0	30 December, 2007
A packing box for ointment (一種藥膏包裝盒)	PRC	ZL97317944.9	30 December, 2007
A packing box for chloromycetin eyedrops (氯氟素滴眼液包裝盒)	PRC	ZL97317945.7	30 December, 2007
A packing box for medicine (藥品包裝盒)	PRC	ZL97322800.8	30 December, 2007

E. *Regulatory permits held by the Group*

Name of company	Country of issue	Type of permit	Certificate number	Expiry month (<i>Note</i>)
CTF	PRC	Pharmaceutical production enterprise permit	(魯)衛藥生證字第01-22號	December, 1999
CTT	PRC	Pharmaceutical production enterprise permit	(1994)蘇衛藥生證字第10022號	September, 1999
CTQ	PRC	Pharmaceutical production enterprise permit	(浙)衛藥生證字第01-A-02號	December, 1999

Note: Pursuant to document No. (1999) 453 issued by the SDA, the validity of the pharmaceutical production enterprise permit of a PRC pharmaceutical production enterprise will extend automatically until 31 December, 2000.

F. *Certificate of protective species of traditional Chinese medicine issued to CTT*

Name of product	Country of issue	Certificate number	Category	Expiry date
Polyporus Polysaccharide Injection (豬苓多糖注射液)	PRC	(94)衛藥中保證字第087號	Protected Chinese medicine-category 2	1 February, 2001 (<i>Note 1</i>)

G. *Certificate of new medicine issued to CTT*

Name of product	Country of issue	Certificate number	Category	Expiry date
Zigui Longshuang Capsule (澤桂癰爽膠囊)	PRC	(98)衛藥證字Z-093號	Protection of new medicine	26 May, 2002 (<i>Note 2</i>)

Note 1: Protection on this modernised Chinese medicine can be renewed for 7 years upon expiry of its term.

Note 2: Application for the “Certification of protected Chinese Medicine” can be filed upon the expiration of the protection period. If the application is approved, this medicine is entitled to another 7 to 30 years protection.

FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

Directors

Disclosure of interests

- (a) Immediately following completion of the Placing, the beneficial interests of the Directors in the share capital of the Company or any of 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 which they are taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) once the Shares are listed, or will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept thereunder once the Shares are listed, or 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:—

Name	Type of interest	Number of Shares	Percentage of issued capital
Mr. Tse Ping	Corporate (<i>Note 1</i>)	231,120,000	77.04
Mr. Wang Jinyu	Corporate (<i>Note 2</i>)	8,880,000	2.96

Note 1: Mr. Tse Ping held these Shares through Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited. The entire issued share capital in each of these companies is owned by Mr. Tse Ping.

Note 2: Mr. Wang Jinyu held these Shares through Discover Profits Limited, the entire issued share capital of which is owned by Mr. Wang Jinyu.

Particulars of service contracts

- (a) Each of Mr. Tse Ping, Mr. Wang Jinyu, Mr. Ling Peixue and Mr. Tao Huiqi, being all the executive Directors, has entered into a service contract with the Company for a term of three years, all commencing from 19 September, 2000, which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other without payment of compensation.
- (b) Each of these executive Directors is entitled to a basic salary (subject to an annual increment to be determined by a majority of the Directors).
- (c) In addition, each of the executive Directors is also entitled to a management bonus in respect of each financial year of the Company (to be determined by a majority of the Directors at their discretion).
- (d) Under the articles of association of 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.

(e) The current basic annual salaries of the respective executive Directors are as follows:—

Mr. Tse Ping	HK\$2,000,000
Mr. Wong Jinyu	HK\$200,000
Mr. Ling Peixue	HK\$400,000
Mr. Tao Huiqi	HK\$400,000

Save as disclosed, none of the Directors has entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Directors' remuneration

- (a) The Company's policies concerning remuneration of executive Directors are:—
- (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;
 - (ii) non-cash benefits may be provided to the Directors under their remuneration package; and
 - (iii) the executive Directors may be granted, at the discretion of the board of Directors, share options of the Company, as part of their remuneration package.
- (b) An aggregate of approximately RMB139,000, RMB256,000 and RMB56,000 (equivalent to HK\$130,000, HK\$240,000 and HK\$52,000 respectively) were paid to the Directors as total emoluments for each of the two years ended 31 December, 1999 and the five months ended 31 May, 2000.
- (c) It is expected that an aggregate sum of HK\$931,000 will be paid in cash to the Directors as remuneration by the Group in respect of the year ending 31 December, 2000 under current arrangements (excluding discretionary management bonuses, if any).
- (d) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the two years ended 31 December, 1999 and the five months ended 31 May, 2000 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.
- (e) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31 December, 1999 and the five months ended 31 May, 2000.
- (f) Save for directors' fees, none of the non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director.

Agency fees or commissions received

Save as disclosed herein, none of the Directors or any of the persons whose names are listed in the paragraph headed “Consents of experts” in the section headed “Other Information” in this Appendix received any agency fee or commission from the Group within the two years immediately preceding the date of this prospectus. The Underwriters will receive an underwriting commission and DBS Asia will receive a financial advisory fee and a documentation fee as mentioned in the paragraph headed “Underwriting arrangements and expenses” under the section headed “Underwriting” in this prospectus.

Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note (g) in the section headed “Results” of the accountants’ report set out in Appendix I to this prospectus.

Disclaimers

Save as disclosed herein:—

- (a) none of the Directors or chief executives has for the purposes of section 28 of the SDI Ordinance, 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 of its 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 pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors will have to be notified to the Company and the Stock Exchange once such securities are listed on the Stock Exchange;
- (b) none of the Directors or any of the persons whose names are listed in the paragraph headed “Consents of experts” in the section headed “Other Information” in this Appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors or any of the persons whose names are listed in the paragraph headed “Consents of experts” in the section headed “Other Information” 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 the Group;
- (d) none of the persons whose names are listed in the paragraph headed “Consents of experts” in the section headed “Other Information” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

- (e) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Placing or related transaction as mentioned in this prospectus; and
- (g) none of the Directors, their respective associates (as defined in the GEM Listing Rules) or shareholders of the Company who are interested in 5 per cent. or more of the issued share capital of the Company so far as is known to the Directors have any interests in the five largest customers of the Group.

SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of the then sole shareholder of the Company passed on 19 September, 2000 (which is still subject to certain conditions as referred to in paragraph (t) in this section and is currently not yet effective):—

(a) *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.

(b) *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.

(c) *Maximum number of Shares*

- (i) 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 10 per cent. 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.

- (ii) No option may be granted to any one person which, if exercised in full, would 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 per cent. of the maximum aggregate number of Shares for the time being issued and which may fall to be issued under the Share Option Scheme.

(d) *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 a period from the date of grant of such option 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.

(e) *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.

(f) *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 or for other grounds referred to in subparagraph (h) below before exercising his option in full, the option (to the extent not already exercised) will lapse three months after the date of cessation and will not be exercisable.

(g) *Rights on death*

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.

(h) *Rights on dismissal*

If the grantee of an option ceases to be an eligible employee of the Group upon termination of his employment 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 integrity or honesty, his option will lapse automatically and will not in any event be exercisable on or after the date of termination.

(i) *Effect of alterations to capital*

In the event of any alteration in the capital 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, corresponding alterations shall be made to the number of Shares comprised in each option, the option price and/or the method of exercise of the option but such alterations shall be conditional on the auditors of the Company confirming in writing to the Board that the alteration proposed is on the basis that the proportion of the equity capital of the Company that grantee is entitled to after alteration shall remain the same as that before the alteration and that no Shares will be issued at less than the nominal value.

(j) *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 and the Company is aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company in respect of issued Shares has or will become vested in the offeror and/or any such persons, 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.

(k) *Rights on a compromise or arrangement*

In the event of a compromise or arrangement between the Company and its creditors or 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.

(l) *Rights on winding up*

In the event of a 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 not less than two business days prior to the date on which such resolution is to be 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 the Company shall be no later than the business day immediately prior to the date on which such resolution is to be passed allot the relevant Shares to the grantee.

(m) *Ranking of Shares*

- (i) Shares allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company 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 to be paid or proposed to be paid if the record date therefor shall be before such date of exercise).
- (ii) Unless the context otherwise requires, references to “Shares” include references to shares in the share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time.

(n) *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.

(o) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on 19 September, 2000 being the date on which the Share Option Scheme was adopted by a resolution of the then sole shareholder of the Company.

(p) *Alteration to the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Directors 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.

(q) *Administration of the Share Option Scheme*

The Share Option Scheme will be administered by a committee comprising the independent non-executive Directors.

(r) *Termination of the Share Option Scheme*

The Company by resolution in general meeting or the Directors 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.

(s) *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.

(t) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on (i) the GEM Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme, and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of that agreement or otherwise.

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

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 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.

OTHER INFORMATION

Estate duty and tax indemnity

Mr. Tse Ping has given in favour of the Group indemnities in connection with, among other things, any liability for Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group and any other tax liabilities of the Group on or before the date on which the Placing becomes unconditional except in respect of the following:—

- (1) where provisions have been made in the audited accounts of the Group up to 31 May, 2000;
- (2) where such liability would not have arisen but for any act or omission by any member of the Group voluntarily effected otherwise than in the ordinary course of businesses after 31 May, 2000;
- (3) where any member of the Group is primarily liable as a result of transactions entered into in the ordinary course of business after 31 May, 2000;
- (4) where such liability arises or is incurred as a result of the imposition of tax as a result of any retrospective change in relevant tax legislation;

- (5) where any provision or reserve made for tax in the audited accounts of the Group up to 31 May, 2000 is finally established to be an over-provision or an excessive reserve (and to the extent of such over-provision or excessive reserve); or
- (6) where penalty is imposed on any member of the Group by reason of any member of the Group defaulting in any obligation to give information to the Hong Kong tax authority under section 42(1) of the Estate Duty Ordinance.

Litigation

No member of the Group 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 any member of the Group.

Address for service of process and notices

Ms. Tse Wun has been nominated as the authorised representative of the Company to accept service of process and notices on the Company. The address for service of process and notices is Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Sponsor

The Sponsor has made an application on behalf of the Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Shares issuable upon exercise of any option granted under the Share Option Scheme.

Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$5,000 and are payable by the Company.

Promoters

The promoter of the Company is Mr. Tse Ping.

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid or given to the promoter in connection with the Placing or the related transactions described in this prospectus.

Qualifications of experts

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

Name	Qualification
DBS Asia	Registered investment adviser
Ernst & Young	Certified public accountants
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
DTZ Debenham Tie Leung Limited	Registered professional surveyors
Tianping Law Office	PRC legal adviser

Consents of experts

Each of DBS Asia, Ernst & Young, Conyers Dill & Pearman, Cayman, DTZ Debenham Tie Leung Limited and Tianping Law Office 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 the references to its name included herein in the form and context in which they are respectively included.

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 insofar as applicable.

Miscellaneous

(a) Save as disclosed in this prospectus:—

- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (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;
- (iii) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;
- (iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and
- (v) within the two years preceding the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group.

- (b) None of DBS Asia, Ernst & Young, Conyers Dill & Pearman, Cayman, DTZ Debenham Tie Leung Limited and Tianping Law Office nor any of their respective directors, employees and associates:—
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (c) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.