

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 29th September, 2000 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares, of which one Share was issued nil paid on 29th September, 2000 to Codan Trust Company (Cayman) Limited and subsequently transferred to Mr. Lin on the same day.

The Company has established a place of business in Hong Kong at 2807, 28th Floor, China Resources Building, 26 Harbour Road, Hong Kong. The Company was registered as an overseas company under Part XI of the Companies Ordinance on 1st February, 2000. In connection with such registration, Mr. Lin of Flat 316, 3rd Floor, Block A, Viking Villas, 70 Tin Hua Temple Road, North Point, Hong Kong and Tong Yiu On of Flat 7A, 7th Floor, Wang Fung Building, 33 Chi Kiang Street, Tokwawan, Kowloon, Hong Kong have been appointed as agents of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands and is subject to Cayman Islands company law, its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of the Company's constitution and certain relevant aspects of the Cayman Islands company law is set out in Appendix V to this prospectus.

Changes in share capital of the Company

At the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 3,800,000 shares of a nominal value of HK\$0.10 each. On 29th September, 2000, the one subscriber Share of HK\$0.10, issued nil paid, in the share capital of the Company, was transferred from Codan Trust Company (Cayman) Limited to Mr. Lin.

On 8th May, 2001 the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 996,200,000 Shares.

On 8th May, 2001, in accordance with the sale and purchase agreement referred to in the paragraph headed "Summary of material contracts" in this appendix, the Company acquired from Mr. Lin, Ms. Kwok Kin Kwok ("Ms. Kwok") and Ms. Pok Lo Ha ("Ms. Pok"), the entire issued share capital of Superford, and in consideration thereof (i) 860,013, 69,993 and 69,993 Shares, credited as fully paid up, were allotted and issued to Mr. Lin, Ms. Kwok and Ms. Pok respectively; and (ii) the existing one Share issued nil paid on 29th September, 2000 and held by Mr. Lin was credited as fully paid up at par.

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Immediately following the completion of the Placing and the Capitalisation Issue, 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 will be HK\$33,750,000 divided into 337,500,000 Shares (each of which will be fully paid or credited as fully paid) and 662,500,000 Shares will remain unissued. Other than the Shares issuable pursuant to the exercise of the Over-allotment Option and any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in the paragraph headed “Written resolutions of the sole shareholder of the Company passed on 8th May, 2001” of this appendix, the Directors have no present intention to issue any part of the authorised but unissued capital of the Company, and without the prior approval of the members of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

Written Resolutions of the sole shareholder of the Company passed on 8th May, 2001

Pursuant to the written resolutions of the sole shareholder of the Company passed on 8th May, 2001:

- (a) the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 996,200,000 Shares;
- (b) in consideration for the acquisition by the Company of 10,001 shares of US\$1.00 each in the share capital of Superford, representing its entire issued share capital, pursuant to an agreement between the Company, Mr. Lin, Ms. Kwok and Ms. Pok relating to the sale and purchase of shares in Superford, referred to in the paragraph headed “Summary of material contracts” in this appendix, the Directors were authorised to (i) allot and issue an aggregate of 999,999 Shares, credited as fully paid up, to Mr. Lin as to 860,013 Shares, Ms. Kwok as to 69,993 Shares and Ms. Pok as to 69,993 Shares respectively and (ii) credit as fully paid up at par the existing one Share issued nil paid on 29th September, 2000 and held by Mr. Lin;
- (c) conditional on the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued (including any Share which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) as mentioned herein and the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions(s) by Guotai Junan (on behalf of the Underwriters)), and not being terminated in accordance with the terms of that agreement or otherwise:
 - (i) the Placing upon the terms set out in this prospectus was approved;
 - (ii) the grant of the Over-allotment Option was approved and the Directors were authorised to allot and issue the Placing Shares and any Shares which may be required to be issued if the Over-allotment Option is exercised; and

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- (iii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of 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;
- (d) the exercise by the Directors during the Relevant Period (as defined below) of all the powers to allot, issue and deal with Shares or securities convertible into such Shares in the unissued share capital of the Company including all power of the Company to establish any agreements or grant any options to do any of the foregoing, otherwise than by way of rights issue or an issue of shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in accordance with the Articles or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares in issue prior to the date of this resolution or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme, Shares with an aggregate nominal value not exceeding the sum of 20 per cent. of the aggregate of (aa) the total nominal value of the share capital of the Company in issue immediately after the completion of the Placing and the Capitalisation Issue (as defined in paragraph (g) below) and (bb) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option, 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 or any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate (the “Relevant Period”).
- (e) the exercise by the Directors during the Relevant Period of 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, subject to and in accordance with all applicable laws and/or requirements of the GEM Listing Rules or of any other stock exchange on which the securities of the Company may be listed as amended from time to time and which is recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange for this purpose, the aggregate nominal amount of Shares to be purchased by the Company shall not exceed 10 per cent. of the aggregate of (aa) the total nominal amount of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue (as defined in paragraph (g) below), and (bb) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option;

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- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition thereto of 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 (e) above provided that such extended amount shall not exceed 10 per cent. of the aggregate of (aa) the total nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue (as defined in paragraph (g) below) and (bb) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option;
- (g) conditional upon the share premium account of the Company being credited as a result of the Placing, 269,000,000 Shares be allotted and issued to the holders of Shares whose names appear on the register of members of the Company as at the close of business on 8th May, 2001 in proportion to their then existing shareholdings in the Company (or as such holder(s) may direct) and, an amount of HK\$26,900,000 standing to the credit of the share premium account of the Company be applied to pay up in full at par such Shares (the “**Capitalisation Issue**”); and
- (h) the Company adopted the new Articles.

Corporate reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the structure of the Group in preparation for the listing of the Shares on GEM. The reorganisation involved the following:

- (a) On 20th March, 1996, Qiangwang, Furi Group, Minxiang and Lam Ping Tung (林秉通), established a sino-foreign joint venture company, Fuqiang, in Fuqing City, Fujian Province, the PRC.
- (b) On 20th October, 1997, Fuqiang increased its registered capital from RMB21,000,000 to RMB46,000,000 and its total investment capital from RMB30,000,000 to RMB70,000,000.
- (c) On 20th October, 1997, in consideration of RMB2,300,000, Qiangwang transferred its 5 per cent. equity interests in Fuqiang to Furi Group. On the same day, for nil consideration (which was subsequently amended as a consideration of RMB16,100,000 as agreed by both parties), Minxiang transferred its 35 per cent. equity interests in Fuqiang to Furi Group.
- (d) On 5th June, 1998, as evidenced by a confirmation dated 21st September, 2000, in consideration of HK\$9,000,000, Lam Ping Tung (林秉通) transferred his 25 per cent. equity interests in Fuqiang to East Sign with immediate effect notwithstanding that the legal assignment was only approved by the PRC authorities on 16th November, 1998.
- (e) On 5th January, 2000, Superford was incorporated in the British Virgin Islands and 10,000 shares were allotted and issued to Mr. Lin on 23rd June, 2000.

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- (f) On 20th March, 2000, in consideration of RMB11,500,000, Qiangwang transferred its 25 per cent. equity interests in Fuqiang to East Sign.
- (g) On 20th March, 2000, pursuant to the corporate reorganisation of Furi Group, Furi Group transferred its 50 per cent. equity interests in Fuqiang to Furi Electronics.
- (h) On 19th June, 2000, in consideration of RMB28,300,000, Furi Electronics transferred its 40 per cent. equity interests in Fuqiang to East Sign.
- (i) On 5th July, 2000, in consideration of RMB41,400,000, which was satisfied by, at the direction of East Sign, the allotment and issue of one share of US\$1.00 each in Superford to Mr. Lin, East Sign transferred its 90 per cent. equity interests in Fuqiang to Superford, a company wholly-owned by Mr. Lin, resulting in Fuqiang being 90 per cent. owned by Superford.
- (j) On 28th September, 2000, in consideration of HK\$15,960,000, Mr. Lin transferred 700 shares of US\$1.00 each in the capital of Superford to Ms. Kwok.
- (k) On 28th September, 2000, in consideration of HK\$15,960,000, Mr. Lin transferred 700 shares of US\$1.00 each in the capital of Superford to Ms. Pok.
- (l) On 8th May, 2001, pursuant to an agreement entered into between the Company, Mr. Lin, Ms. Kwok and Ms. Pok in relation to the sale and purchase of shares in Superford, Mr. Lin, Ms. Kwok and Ms. Pok transferred all their shares in Superford, being the entire issued share capital of Superford, to the Company and the Company, in return, (i) allotted and issued 860,013, 69,993 and 69,993 Shares, credited as fully paid up, to each of Mr. Lin, Ms. Kwok and Ms. Pok respectively, and (ii) credited as fully paid up at par the existing one Share issued nil paid on 29th September, 2000 and held by Mr. Lin.
- (m) The agreement referred to in (l) above was completed immediately following its signing on 8th May, 2001.
- (n) Immediately after the completion of the agreement referred to in (l), Superford became a wholly-owned subsidiary of the Company whereas Fuqiang became 90 per cent. owned by the Company.

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.

Save as disclosed in the paragraphs headed "Changes in share capital of the Company" and "Corporate reorganisation" of this appendix, 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) **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 transaction.

Note: Pursuant to the written resolution of the sole shareholder of the Company passed on 8th May, 2001, a general unconditional 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 and the Capitalisation Issue and (if applicable) the exercise of the Over-allotment Option, 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 or the Companies Law 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 ("Buyback Mandate").

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum of association 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 existing issued share capital of that company. 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 purchase 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 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 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 purchase 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, having made all reasonable enquires, none of the Directors or their associates (as defined under the GEM Listing Rules) 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 337,500,000 Shares in issue immediately after listing of the Shares (taking no account of any Shares which may be issued upon the exercise the Over-allotment Option) could accordingly result in up to 33,750,000 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 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 of association and Articles and the applicable laws and regulations of the Cayman Islands.

(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 its 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 of association of the Company and Articles 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 any 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.

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FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

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) lease agreement dated 1st February, 1999 entered into between Ms. He Yu Zhu, spouse of Mr. Lin, and Fuqiang relating to 15th Level, Zhong Mei Building, No. 107 Gu Tian Road, Fuzhou City, Fujian Province, the PRC for a term commencing from 1st February, 1999 to 1st February, 2004 at a monthly rent of RMB35,200 with no option to renew;
- (b) share transfer agreement in Chinese dated 26th June, 2000, between (i) East Sign and (ii) Superford, whereby East Sign transferred its 90 per cent. equity interests in Fuqiang to Superford, in consideration of RMB41,400,000;
- (c) a supplemental share transfer agreement in Chinese dated 28th June, 2000, between (i) East Sign and (ii) Superford, whereby Superford, to settle the amount due to East Sign pursuant to the share transfer agreement in (b) above, allotted and issued one share to Mr. Lin, the sole shareholder of Superford;
- (d) a tenancy agreement dated 29th December, 2000 and entered into between Superford and China Resources Management Property Limited relating to Room 2807, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for a term commencing from 1st October, 2000 to 16th July, 2002 at a monthly rent of RMB23,541 with no option to renew;
- (e) an agreement dated 8th May, 2001, between the Company, Mr. Lin, Ms. Kwok and Ms. Pok in relation to the sale and purchase of shares in Superford as referred to in the paragraph headed "Corporate reorganisation" in this appendix;
- (f) the Underwriting Agreement;
- (g) Deed of taxation indemnity dated 11th May, 2001 executed by Mr. Lin in favour of the Company (for itself and as trustee for its subsidiaries) containing the indemnities in respect of taxation referred to in the paragraph headed "Estate Duty and tax indemnity" in this appendix;
- (h) service agreements dated 8th May, 2001, between the Company and each of the executive Directors referred to in the paragraph headed "Particulars of service agreement" in this appendix;
- (i) Deed of indemnity dated 8th May, 2001 executed by Mr. Lin in favour of the Company (for itself and as trustee for its subsidiaries) containing the indemnity in connection with the ownership of Qiangwang and PRC export/domestic sales ratio; and

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- (j) a sponsor agreement dated 11th May, 2001, entered into between the Company and DTCFL relating to the requirement under Rules 6.01 and 11.09 of the GEM Listing Rules.

Information about Fuqiang

The Company has interests in one PRC enterprise, namely Fuqiang. Certain particulars of Fuqiang are as follows:


Fuqiang

Nature:	Sino-foreign joint venture
Registered capital:	RMB46,000,000
Total investment:	RMB70,000,000
Joint venture parties:	Superford and Furi Electronics
Attributable interest of the Company:	90 per cent.
Date of establishment:	22nd March, 1996
Term of joint venture:	15 years commencing from 22nd March, 1996 to 20th March, 2011
Profit and loss sharing ratio:	in accordance with the ratio of their respective equity interests
Restriction on transfer of equity interest:	other party has pre-emption right
Asset distribution upon termination:	in accordance with the ratio of equity interests

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Intellectual property

As at the Latest Practicable Date, the Group owned, or had registered the following trademarks:

Trademark	Class	Items covered	Country of registration	Registration number	Renewal date
	9	Printed circuit board, positive polar plate, resistance material, photoconductor, electrode, integrated printed circuit board, electric wire connector, terminals, integrated circuit, capacitor panel (electric current)*	PRC	1316277	20th September, 2009

** English translation of items covered*

As at the Latest Practicable Date, the Group has also applied for the trademark registration of the following trademarks:

Trademark	Class	Items covered	Application number	Application date	Place of Application
	9 Part B	Printed circuit boards, electrical resistance materials, photoconductors, electrode valves, integrated circuits, integrated circuit boards, electric wire connectors, binding post terminals, electrical capacitor panels and passive polar plate, all included in Class 9	2001/00001	2nd January, 2001	Hong Kong

FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

Directors

Each of the executive Directors is, to such extent as relevant to him, interested in the material contracts set out in the paragraph headed “Summary of material contracts” under the section headed “Further information about the business of the Group” in this appendix.

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Save as disclosed below, immediately following completion of the Placing and Capitalisation Issue, none of the Directors and chief executive has any beneficial interests 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 1 of the Schedule to, the SDI Ordinance) once the Shares are listed, or which will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein once the Shares are listed, or pursuant to 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 of Director	Personal interest	Number of Shares			Other interests
		Family interest	Corporate interest		
Mr. Lin	232,203,780	—	—		—

Particulars of service agreements

Each of the executive Directors has entered into a service agreement with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are set out below:

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years with a fixed term of one year. Each of the executive Directors is entitled to the respective basic salaries set out below (subject to an annual increment after each completed year of service at a rate to be determined at the sole and absolute discretion of the board of Directors, provided that such increase shall not exceed 10 per cent. of the then current annual remuneration of the relevant Director). In addition, the executive Directors are also entitled, to a discretionary bonus as the board of Directors may in its absolute discretion determine having regard to the performance of the executive Director and the operating results of the Group which, in respect of any financial year of the Company, shall not be more than 10 per cent. of the audited consolidated net profit after taxation and minority interests but before extraordinary and exceptional items of the Group for that financial year, which amount shall be paid within one calendar month after the announcement of the audited final results of the Group for that financial year. The discretionary bonus shall only be payable when the audited consolidated net profit after taxation and minority interests but before extraordinary

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and exceptional items of the Group and before payment of the total discretionary bonuses payable to all the executive Directors shall exceed HK\$80 million. An executive Director may not vote on any resolution of the Directors regarding the amount of the bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	Amount <i>(HK\$)</i>
Mr. Lin	50,000
Mr. Xiang Song	25,000
Mr. Lin Wan Peng	25,000

Save as disclosed, 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).

Directors' remuneration

- (a) An aggregate of approximately HK\$271,000 was paid to the Directors as remuneration for the year ended 30th June, 2000. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.
- (b) It is expected that an aggregate sum of approximately HK\$434,000 will be paid to the Directors as remuneration by the Group in respect of the year ending 30th June, 2001 pursuant to the present arrangement including management bonus.
- (c) No discretionary or performance bonus was paid to the directors for the two years ended 30th June, 1999 and 30th June, 2000 and the five months ended 30th November, 2000.
- (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 30th June, 2000 and the five months ended 30th November, 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 30th June, 2000 and the five months ended 30th November, 2000.

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Agency fees or commissions received

The Underwriters will receive a commission of 4 per cent. of the Issue Price of all the Shares under the Placing underwritten by them and the Shares under the Over-allotment Option, out of which they will pay any sub-underwriting commission, if any. The Sponsors will also receive a documentation fee and be reimbursed for its expenses. Such commission, documentation fee and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Placing, which are estimated to amount in aggregate to approximately HK\$13.1 million, will be payable by the Company.

Substantial shareholders

As far as the Directors are aware, after the Placing and the Capitalisation Issue, no person (other than Mr. Lin (a Director) as disclosed in the sub-paragraph headed “Directors” under the paragraph headed “Further information about Directors, senior management and staff” in this appendix) will be directly or indirectly interested in 10 per cent. or more of the voting power at any general meeting of the Company.

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 k to section 3 of the accountants’ report set out in Appendix I to this prospectus, the paragraph headed “Summary of material contracts” in this appendix and the paragraph headed “Related party transaction” in the section headed “Financial information” in this prospectus.

Disclaimers

Save as disclosed herein:

- (a) none of the Directors or chief executive of the Company 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 1 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 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 such securities are listed on the Stock Exchange;
- (b) none of the Directors nor any of the persons whose names are listed in the sub-paragraph headed “Consent of experts” under the paragraph 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;

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- (c) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” under the paragraph 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” under the paragraph 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);
- (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 transactions 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 or suppliers of the Group.

Share Option Scheme

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

(a) **Who may join**

The board of Directors (“Board”) may, at its discretion, invite any full-time employee including any executive director of any company in the Group (“Eligible Persons”) to take up Options to subscribe for Shares at a price calculated in accordance with sub-paragraph (e) below. Upon acceptance of the Option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

(b) Administration

- (i) The Share Option Scheme shall be subject to the administration of the Committee who shall comprise of not less than two persons and shall include all the independent non-executive directors. Subject to the foregoing, the Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, may fill vacancies in the Committee and may remove members of the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum and all determinations shall be made by a majority of such quorum. Any determination reduced to writing and signed by all of the members shall be fully effective as if it had been made by a majority vote at a meeting duly called and held.
- (ii) The Committee shall have full power and discretionary authority to grant to Eligible Persons Options under the Share Option Scheme, to determine the terms and conditions (which need not be identical) of all Options so granted, to interpret and construe the provisions of the Share Option Scheme and any agreements relating to Options granted under the Share Option Scheme and any doubtful or disputed terms, to determine the eligibility of a person for benefits and the amount of benefits payable to an Eligible Person, and to supervise the administration of the Share Option Scheme. The Committee in granting an Option may provide for the granting or issuance of additional or replacement Options upon the occurrence of specified events, including the exercise of the original Option. The Committee shall have sole authority in the selection of persons to whom Options may be granted under the Share Option Scheme and in the determination of the timing and amount of any such Option, subject only to the express provisions of the Share Option Scheme. In making determinations hereunder, the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contributions to the success of the Company and its subsidiaries and such other factors as the Committee in its discretion deems relevant.
- (iii) The Committee is authorised, subject to the provisions of the Share Option Scheme, to establish, amend and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the Share Option Scheme and to take such other action in connection with or in relation to the Share Option Scheme as it deems necessary or advisable. Each action and determination made or taken pursuant to the Committee, including any interpretation or construction of the Scheme, shall be final and conclusive for all purposes and upon all persons. No member of the Committee shall be liable for any action or determination made or taken by him or the Committee in good faith with respect to the Scheme.

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(c) Grant of Option

- (i) On and subject to the terms of the Share Option Scheme, the Committee shall be entitled at any time and from time to time within 10 years from 8th May, 2001 to offer to any Eligible Person as the Committee may in its absolute discretion select, and subject to such conditions as the Committee may think fit an Option to subscribe for such number of Shares as the Board may determine at the subscription price in accordance with paragraph (e) below.
- (ii) Any grant of Option must 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 Options shall be granted until such information has been announced pursuant to the requirements of the GEM Listing Rules.

(d) Payment on acceptance of Option offer

HK\$1.00 is payable by the Eligible Person to the Company on acceptance of the Option offer.

(e) Price of Shares

The subscription price for the Shares subject to the Options granted under the Share Option Scheme will be the fair market value of the Shares as determined by the Board, which should be calculated by reference to and, in any event, shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.

(f) Maximum number of Shares available for Subscription

- (i) The maximum number of Shares in respect of which Options may be granted under the Share Option Scheme shall represent 30 per cent. of the Company's issued share capital for a specified period of 10 consecutive years (the "10 year period") and shall not, when aggregated with any Shares subject to any other schemes of the Company, exceed 30 per cent. of the issued share capital of the Company for the 10 year period (excluding (1) Shares issued upon the exercise of an Option granted pursuant to the Share Option Scheme and (2) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (1)).

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- (ii) No Eligible Person shall be granted an Option which, if exercised in full, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the Options previously granted to him which have been exercised and issuable under all the Options previously granted to him which are for the time being subsisting and unexercised, would exceed 25 per cent. of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme (“25 per cent. Limit”). Notwithstanding any other provisions of the Share Option Scheme, the 25 per cent. Limit shall always prevail and be applicable.
- (iii) In addition, no Eligible Person may be granted in any calendar year, in which the Shares are traded on an established securities market, Options covering more than 85 per cent. of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme (subject to adjustment).

(g) **Time of exercise of Option**

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period (the “Option Period”) to be notified by the Board to each grantee provided that the period within which the option may be exercised shall not be less than 3 years and not more than 10 years from the date of the grant of Option.

(h) **Rights are personal to grantee**

An Option may not be transferred and is personal to the grantee and no grantee of an Option shall in any way sell, assign, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option.

(i) **Rights on death**

If the grantee of an Option dies before exercising the Option in full and none of the events which would be a ground for termination of his or her employment arises, his or her personal representatives may exercise the option in full (to the extent not already exercised) within a period of 12 months from the date of death or such longer period as the Board may determine, failing which the Option will lapse.

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(j) Changes in capital structure

If there is any alteration in the capital structure of the Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party) or otherwise, such corresponding alterations (if any) shall be made in:

- (i) the number of Shares (without fractional entitlements) subject to the Option so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the Option on a capitalisation issue, any alteration to the number of Shares subject to the Option, the subscription price of the Option and/or the method of exercises of the Option shall be conditional on the auditors of the Company confirming in writing to the Board that the alteration made is on the basis that the proportion of the issued share capital of the Company to which a grantee is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any option in full being increased. The capacity of the auditors if that of experts and not of arbitrators and their certification shall be final and binding on the Company and the grantees of Options. The costs of the auditors in so certifying shall be borne by the Company.

(k) Rights on take-over

If an offer has been 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 persons acting in concert with the offeror, and the Company becomes 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 grantees of Options of such vesting as soon as reasonably practicable after becoming so aware. Each grantee of Options may by notice in writing to the Company within 21 days of the date of such exercise his or her Option to its full extent or to the extent specified in such notice, if a grantee fails to notify the Company, his or her Option will lapse. For the purposes of this sub-paragraph, "acting in concert" shall mean persons who, pursuant to an agreement or understanding, actively co-operate to obtain a holding, or aggregate holdings, or more than 50 per cent. of the issued Shares.

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(I) Rights on a compromise or arrangement

- (i) If an application is made to the court (otherwise than where the Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), a grantee of an Option may by notice in writing to the Company, within the period of 21 days after the date of such application, 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. Notice of the application referred to herein and the effect thereof shall be given by the Company to all participants as soon as practicable.
- (ii) In the event of a notice being given by the Company to its members to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company when the Company is solvent, the Company shall on the day of such notice to each member of the Company or as soon as practicable, give notice thereof to all grantees of Options. Thereupon each grantee (or where permitted his legal personal representatives) shall be entitled to exercise all or any of his or her Options at any time no later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the relevant grantee credited as fully paid.
- (iii) In the event of a reorganisation or proposed reorganisation of the Company, at its discretion, may do either of the following:
 - (1) the Company may irrevocably commute for or into any other securities or other property or cash any option that is still capable of being exercised, upon giving to the relevant grantee to whom such Option has been granted at least 21 days written notice of its intention to commute the Option, and during such period of notice, the Option, to the extent that it has not been exercised, may be exercised by the relevant grantee by notice in writing to the Company to its full extent or to the extent specified in such notice and on the expiry of such period of notice, the unexercised portion of the Option shall lapse and be cancelled, or

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(2) the Company or any company which is or would be the successor to the Company or which may issue securities in exchange for Shares upon the reorganisation becoming effective, may offer any grantee the opportunity to obtain a new or replacement option over any securities into which the Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Shares under Option. In such event, the grantees shall, if the grantees accept such offer, be deemed to have released such option over Shares and such Option shall be deemed to have lapsed.

(iv) Reorganisation means any (1) compromise or arrangement, or (2) offer for shares of the Company which if successful would entitle the offeror to acquire all of the shares of the Company or all of one or more particular class(es) of shares of the Company to which the offer relates. Sub-clauses (iii) (1) and (2) above are intended to be permissive and may be utilised independently or successively in combination or otherwise, and nothing therein contained shall be construed as limiting, or affecting the ability of the Company to deal with Options in any other manner.

(m) **Lapse of option**

An Option shall lapse forthwith (to the extent not already exercised) on the earliest of the following events:

- (i) the relevant Option period of the Option has expired;
- (ii) the first anniversary of the death of the relevant grantee;
- (iii) the date on which the Group terminates the employment of the relevant grantee on the ground that such grantee commits an 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. A resolution of the Board to the effect that the employment of such a person has or has not been terminated on one or more of the grounds specified in this sub-clause shall be conclusive;
- (iv) three months from the date of the grantee ceasing to be an Eligible Person by reason of:
 - (1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this paragraph, at a younger age;
 - (2) ill health or disability recognised as such expressly by the Board in writing for the purpose of this paragraph;
 - (3) the company by which he or she is employed and/or of which he or she is a director (if not the Company) ceasing to be a subsidiary;

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- (4) expiry of his or her employment contract with the Company or a subsidiary and such contract is not immediately extended or renewed; or
- (5) at the discretion of the Board, any reason other than death or the reasons described in paragraph m(iii) or m(iv)(1) to (4).
- (v) the expiry of any period referred to in paragraphs (h) to (l) above, provided that:
 - (1) (in the case of paragraph (k)) the offeror may exercise any Options tendered in acceptance of its offer within six months of the closing date of such offer; and
 - (2) (in the case of paragraph (l)(i)) all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and
- (vi) the date the relevant grantee commits any breach of the provisions of paragraph (h).

(n) **Ranking of Shares**

The Shares to be allotted upon the exercise of an Option will be subject to the Company's articles of association for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of exercise of the Option including in respect of those rights arising on a liquidation of the Company.

(o) **Cancellation of Options granted**

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

(p) **Period of Share Option Scheme**

The Share Option Scheme will remain valid for a period of 10 years commencing on 8th May, 2001 after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(q) Alteration

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the scheme relating to matters contained in rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of Option or to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of the Company in general meetings (with participants and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such number of grantees of Options or shall together hold Options in respect of not less than three-fourths in nominal value of all Shares then subject to Options granted under the Share Option Scheme.

Any alteration to the terms and conditions of Share Option Scheme, which are of a material nature, must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of Share Option Scheme.

(r) Grant of Options to connected persons, Directors or any of their associates

Where Options are proposed to be granted to a connected person, the proposed grant must be approved by all independent non-executive directors of the Company.

Where Options are proposed to be granted to a connected person, who is also a substantial shareholder of the Company or any of his respective associates, and the proposed grant of Options, when aggregated with the Options already granted to such connected person in the past 12 months period, would entitle that person to receive more than 0.1 per cent. of the total issued shares of the Company for the time being and the value of which is in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders of the Company in general meetings. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant). A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the options to be granted and containing a recommendation from the independent directors on whether or not to vote in favour of the proposed grant.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the GEM Listing Committee of the Stock Exchange granting approval of the Share Option Scheme and any Options which may be granted thereunder and the listing of and permission to deal in any Shares which may be issued pursuant to the exercise of Options granted under the Share Option Scheme and (ii) the Share Option Scheme being approved by the shareholder(s) of the Company.

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As at the Latest Practicable Date, no Options have been granted or agreed to be granted by the Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Options under the Share Option Scheme and listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

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Estate Duty and tax indemnity

Mr. Lin (the “Indemnifier”) entered into a deed of taxation indemnity with and in favour of the Company (for itself and as trustee for its subsidiaries) (being material contract (g) as referred to in the paragraph headed “Summary of material contracts” in this appendix) to provide indemnities 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 of the Laws of Hong Kong) to any member of the Group on or before the date on which the Placing becomes unconditional.

Under the deed of taxation indemnity, the Indemnifier has also given indemnities to the Group in relation to taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Placing becomes unconditional (“Effective Date”).

The aforesaid indemnities do not apply in certain circumstances including (i) where such liability for taxation would not have arisen but for some act or omission of or transaction voluntarily effected by any member of the Group (whether alone or in conjunction with any other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier other than any such act, omission or transaction (a) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date; or (b) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date; or (c) consisting of any member of the Group ceasing or being deemed to cease to be a member of the Group or being associated with any other company for taxation purposes; and (ii) where provisions have been made in the audited accounts of the Group up to 30th June, 2000. Further, the said deed of indemnity does not cover any Taxation Claim (as defined therein) to the extent that such Taxation Claim arises or is incurred as a result of the imposition of Taxation as a consequence of any retrospective change in the law or practice by the Hong Kong Inland Revenue Department or any of the relevant authorities coming into force after the date of the deed of taxation indemnity or to the extent that such Taxation Claim arises or is increased by an increase in rates of Taxation after such date with retrospective effect.

The Company has 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, BVI or PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

Other indemnities

Mr. Lin also entered into a deed of indemnity in favour of the Company (for itself and as trustee for its subsidiaries) (being material contract (i) as referred to in the paragraph headed “Summary of material contracts” in this appendix) whereby Mr. Lin will fully indemnify and at all times keep the Group and any member of the Group fully indemnified on demand without set off or counter claim against (i) any depletion in value and assets, costs, fees, expenses, claims, losses, and liabilities of any nature whatsoever which might be incurred or suffered by any member of the Group relating to or arising out of or as a result of (whether direct or indirect) the ownership arrangement of Qiangwang as described in section headed “Business” in this prospectus being declared or determined by any PRC court or relevant government authority to be illegal, invalid or unenforceable in any respect and including, but not limited to any costs or express incurred by the Group in proceedings or inquiries leading to such declaration or determination and (ii) of all action, proceedings, claims, demands, losses, payments, liabilities, penalties, damages, costs, charges and expenses which any member of the Group may incur, suffer or sustain directly or indirectly in connection with or arising out of the non-compliance of PRC export/domestic sales ratio by Fuqiang as described in the paragraph headed “PRC Export/Domestic sales Ratio” in section headed “Risk Factors” in this prospectus.

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.

Sponsors

The Sponsors have made an application on behalf of the Company to the GEM Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein.

DTCFL, the Sponsor, will receive normal professional fees in connection with the advisory services to be provided to the Company for a term period covering the remainder of the financial year ending 30th June, 2001 and the two financial years thereafter.

Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK\$35,000 and are payable by the Company.

Promoters

The promoter of the Company is Mr. Lin. Save as disclosed herein, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Placing or the related transactions described in this prospectus.

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Registration procedures

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 Butterfield International (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Hong Kong Registrars Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands.

Qualifications of experts

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

Name	Qualification
DTCFL	Registered investment adviser and securities dealer
JS Cresvale	Registered investment adviser and securities dealer
Arthur Andersen & Co	Certified public accountants
Charles Chan, Ip & Fung CPA Ltd.	Certified public accountants
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
Sallmanns (Far East) Ltd.	Property valuer
Trend Associates	Legal adviser on PRC laws

Consents of experts

Each of DTCFL, JS Cresvale, Arthur Andersen & Co, Charles Chan, Ip & Fung CPA Ltd., Conyers Dill & Pearman, Cayman, Sallmanns (Far East) Ltd. and Trend Associates 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.

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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; and
 - (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.
- (b) None of DTCFL, JS Cresvale, Arthur Andersen & Co, Charles Chan, Ip & Fung CPA Ltd., Conyers Dill & Pearman, Cayman, Sallmanns (Far East) Ltd. and Trend 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.