

**FURTHER INFORMATION ABOUT THE COMPANY****Incorporation**

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act on 21st January, 2000. The Company has established a principal place of business in Hong Kong at Suites 3306-3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong and was registered as an oversea company in Hong Kong under Part XI of the Companies Ordinance on 28th April, 2000. Mr. Ip Kim Kuen of 19A, Tower 2, Lyttelton Garden, 29 Lyttelton Road, Hong Kong was appointed as the agent 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 Bermuda, it operates subject to the Companies Act and to its constitution which comprises a memorandum of association and bye-laws. A summary of various provisions of its constitution and relevant aspects of the Companies Act is set out in Appendix IV to this prospectus.

**Changes in share capital**

As at the date of incorporation of the Company, its authorised share capital was HK\$100,000 divided into 1,000,000 Shares, all of which were allotted and issued nil paid, to Ms. Peggy Chan on 24th January, 2000 and were credited as fully paid on 31st January, 2000.

On 31st January, 2000 the authorised share capital of the Company was increased from HK\$100,000 to HK\$400,000 by the creation of an additional 3,000,000 Shares each ranking pari passu with the then existing Shares in all respects and 1,000,000 Shares were issued fully paid to Ms. Peggy Chan.

On 15th June, 2000, 205,128 Shares, 93,240 Shares and 124,320 Shares were allotted and issued to each of Alps, CV Software Holdings and the UOB Investors pursuant to exercise of rights of conversion under the Convertible Notes.

On 16th June, 2000, the Company increased its authorised share capital from HK\$400,000 to HK\$500,000,000 by the creation of an additional 4,996,000,000 Shares.

Assuming that the Share Offer becomes unconditional and the issue of Offer Shares pursuant to the Share Offer is made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option nor the exercise of the conversion rights under the Additional Convertible Note, the authorised share capital of the Company will be HK\$500,000,000 divided into 5,000,000,000 Shares and the issued share capital will be HK\$100,000,000 divided into 1,000,000,000 Shares (each of which will be fully paid or credited as fully paid) and 4,000,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme or the exercise of conversion rights under the Additional Convertible Note, 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 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 its incorporation.

#### **Transfer of Shares by controlling shareholder**

In February, 2000, Ms. Peggy Chan transferred part of her shareholding in the Company amounting to 142,997 Shares to certain investors who are independent of the Directors and the Initial Management Shareholders. Immediately following completion of the Share Offer and the Capitalisation Issue, these investors will together hold 50,170,492 Shares, representing approximately 5.02 per cent. of the issued share capital of the Company as enlarged by the Share Offer and the Capitalisation Issue (assuming no exercise of the Over-allotment Option). The transfer was effected at an aggregate consideration of HK\$35,742,000, representing approximately HK\$0.71 per Share after taking into account the Shares to be issued to these investors pursuant to the Capitalisation Issue. On 15th June, 2000, Ms. Peggy Chan transferred another part of her shareholding in the Company amounting to 204,000 Shares to the other executive Directors, namely Mr. Fung Din Chung, Rickie, Mr. Ng Wai King, Steve, Ms. Leung Lucy, Michele (through Mossell) and Mr. Ip Kim Kuen at a consideration of HK\$1 received from each of these executive Directors. Immediately following completion of the Share Offer and the Capitalisation Issue, these executive Directors will together hold 71,573,394 Shares, representing approximately 7.16 per cent. of the issued share capital of the Company as enlarged by the Share Offer and the Capitalisation Issue (assuming no exercise of the Over-allotment Option). Until the Listing Date, these executive Directors shall not sell, transfer, pledge, charge or howsoever dispose of or deal with (or enter into any agreement or arrangement to such effect) any of their Shares and shall waive all their rights to vote at any general meetings of the Company. These executive Directors are further subject to a 2 year lock-up whereby they will be required (i) to re-transfer the Shares to Ms. Peggy Chan at a consideration of HK\$1 should they cease to be employed as director of the Company at any time during the two years following the Listing Date, and (ii) not to effect a transfer of the Shares to any person in the first six-month period followings the Listing Date and not to effect a transfer of more than 50 per cent. of the Shares in the second six-month period. Pursuant to a further Share transfer on 15th June, 2000, Ms. Peggy Chan transferred the then balance of her interest in the Company amounting to 1,653,003 Shares to Passion, a company wholly-owned by her. Immediately following completion of the Share Offer and the Capitalisation Issue, Passion will hold 579,956,044 Shares, representing approximately 57.99 per cent. of the issued share capital of the Company as enlarged by the Share Offer and the Capitalisation Issue (assuming no exercise of the Over-allotment Option).

On 15th June, 2000, Passion granted options over existing Shares held by it (which will represent approximately 1.61 per cent. of the Company's enlarged share capital immediately following completion of the Share Offer and the Capitalisation Issue, assuming no exercise of the Over-allotment Option) to the Designated Employees. See the section headed "Directors, senior management and staff — Options over existing Shares" for further details.

**Shareholders' resolutions of the Company passed on 16th June, 2000**

Pursuant to the resolutions passed by the shareholders of the Company on 16th June, 2000:

- (a) the authorised share capital of the Company was increased from HK\$400,000 to HK\$500,000,000 by the creation of an additional 4,996,000,000 Shares;
- (b) the Company adopted its new bye-laws;
- (c) conditional on the same conditions as stated under "Structure of the Share Offer — Conditions of the Share Offer":
  - (i) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and any Shares which may be issued pursuant to the exercise of the Over-allotment Option;
  - (ii) conditional further on the GEM Listing Committee of the Stock Exchange granting approval of the Share Option Scheme and the grant of options thereunder and the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any such options, the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant thereto;
- (d) conditional on the share premium account of the Company being credited pursuant to the Share Offer, the sum of HK\$84,757,731.20 being part of the amount then standing to the credit of the share premium account of the Company be capitalised by issuing 847,577,312 Shares, credited as fully paid at par, to the holders of Shares in the capital of the Company registered on the register of members of the Company as at the close of business on 16th June, 2000 (or as the Directors may direct) in proportion as nearly as possible to their respective shareholdings and that the Board or a committee thereof be and is authorised to do all such things as may be necessary to give effect to such capitalisation issue;
- (e) a general unconditional mandate was given to the Directors to allot, issue and deal with (otherwise than by way of rights issues or scrip dividend schemes or other similar arrangements in accordance with the bye-laws of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or the exercise of conversion rights under the Additional Convertible Note), on behalf of the Company, Shares with an aggregate nominal value not exceeding:
  - (i) 20 per cent. of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (such share capital shall include the Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
  - (ii) the aggregate nominal value of Shares repurchased under the authority granted to the Directors as referred to in paragraph (f) below;

- (f) a general unconditional mandate was given to the Directors to exercise all the powers for and on behalf of the Company to repurchase on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose Shares with an aggregate nominal amount not exceeding 10 per cent. of:
  - (i) the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue; and
  - (ii) the aggregate nominal value of the share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option.

Each of the general mandates referred to in paragraphs (e) and (f) above will remain in effect until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the applicable laws of Bermuda or the bye-laws of the Company to be held or when it is revoked or varied by an ordinary resolution of shareholders of the Company in general meeting, whichever is the earliest.

### **Corporate reorganisation**

The Group has undergone a reorganisation to rationalise its structure in preparation for the listing of the Shares on GEM. The reorganisation involved the following:

#### **(a) Excel Technology International (Hong Kong) Limited**

- (i) On 21st January, 2000, Excel Technology International (Hong Kong) Limited allotted and issued at par of 998 ordinary shares of HK\$1 each in its share capital to Excel (BVI) Limited, which is the intermediate holding company of the Group.
- (ii) On 27th January, 2000, Ms. Peggy Chan transferred 1 share of HK\$1 in the share capital of Excel Technology International (Hong Kong) Limited to Excel (BVI) Limited at a consideration of HK\$1; and Ms. Leung, Lucy Michele (being the nominee of Ms. Peggy Chan for 1 share of Excel Technology International (Hong Kong) Limited) transferred such 1 share of Excel Technology International (Hong Kong) Limited to Ms. Peggy Chan at nil consideration, who held such 1 share upon trust for Excel (BVI) Limited.
- (iii) On 8th February, 2000, Excel Technology International (Hong Kong) Limited changed to its current name.

#### **(b) Excel Technology Center Limited**

- (i) On 27th January, 2000, Ms. Peggy Chan transferred 100,000 shares of HK\$1 each in the share capital of Excel Technology Center Limited to Excel Technology International (BVI) Limited at a consideration of HK\$1; and Excel International Limited transferred 99,999 shares of Excel Technology Center

Limited to Excel Technology International (BVI) Limited at a consideration of HK\$1 and 1 share of Excel Technology Center Limited to Ms. Peggy Chan at a consideration of HK\$1, who held such 1 share upon trust for Excel Technology International (BVI) Limited.

- (ii) On 8th February, 2000, Excel Technology Center Limited changed to its current name.

**(c) Excel Technology International (BVI) Limited**

- (i) On 21st January, 2000, Excel Technology International (BVI) Limited changed to its current name.
- (ii) On 22nd January, 2000, Excel Technology International (BVI) Limited allotted and issued at par of 1 share of US\$1 each in its share capital, constituting its entire issued share capital, to Excel (BVI) Limited.

**(d) Excel International Limited**

On 27th January, 2000, Ms. Peggy Chan transferred 9,999 shares of HK\$1 each in the share capital of Excel International Limited to Excel (BVI) Limited at a consideration of HK\$1; and Excel Technology International (Hong Kong) Limited (being a nominee of Ms. Peggy Chan for 1 share of Excel International Limited) transferred such 1 share of Excel International Limited to Ms. Peggy Chan at nil consideration, who held such 1 share upon trust for Excel (BVI) Limited.

**(e) Excel Systems Limited**

On 27th January, 2000, Mr. Fung Din Chung, Rickie transferred 490,000 shares of HK\$1 each in the share capital of Excel Systems Limited to Excel (BVI) Limited at a consideration of HK\$1; and Excel International Limited transferred 509,999 shares of Excel Systems Limited to Excel (BVI) Limited at a consideration of HK\$1 and 1 share of Excel Systems Limited to Ms. Peggy Chan at a consideration of HK\$1, who held such 1 share upon trust for Excel (BVI) Limited.

**(f) Net Fun Limited**

- (i) On 29th January, 2000, Excel Technology International (Hong Kong) Limited transferred to Rich-Pines Investments Company Limited 8,500 shares of HK\$1 each in the share capital of Net Fun Limited, representing 85 per cent. of its then issued share capital, at a consideration of HK\$1.
- (ii) On 29th January, 2000, Excel Technology International (Hong Kong) Limited transferred at a consideration of HK\$1 to Excel (BVI) Limited 1,000 shares of HK\$1 each in the share capital of Net Fun Limited, representing 10 per cent. of its then issued share capital.

- (iii) On 3rd May, 2000, Ms. Pang Ping Ying Josephine transferred to Ms. Peggy Chan 500 shares of HK\$1 each in the share capital of Net Fun Limited at a consideration of HK\$1,000.

**(g) Excel (BVI) Limited**

On 31st January, 2000, Ms. Peggy Chan transferred at a consideration of US\$1 to the Company 5,000 shares of US\$1 each in the share capital of Excel (BVI) Limited, constituting the entire issued share capital of Excel (BVI) Limited.

**(h) i21 Limited**

- (i) On 18th February, 2000, i21 Limited was incorporated in Hong Kong under the Companies Ordinance with limited liability. On 14th March, 2000, i21 Limited was acquired as to 37.5 per cent. by Excel (BVI) Limited and as to 62.5 per cent. by iService21 Holdings Limited, a wholly-owned subsidiary of iBusiness Corporation.

- (ii) On 26th April, 2000, i21 Limited changed to its current name.

**(i) Guangzhou Excel Technology Company Limited**

On 16th May, 2000, Guangzhou Excel Technology Company Limited was established as a wholly owned subsidiary of Excel (BVI) Limited in the form of a wholly foreign owned enterprise in Guangzhou, the PRC.

**(j) Xena Trading Pte. Limited**

On 16th June, 2000, Excel (BVI) Limited acquired 2 shares in Xena Trading Pte. Limited, constituting its entire issued share capital, for a consideration of S\$2.

**Changes in share capital of subsidiaries**

The Company's subsidiaries are set out in section 6 of 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 have taken place within the two years immediately preceding the date of this prospectus:

- (a) On 21st January, 2000, Excel Technology International (Hong Kong) Limited allotted and issued at par of 998 shares of HK\$1 each in its share capital to Excel (BVI) Limited.
- (b) On 22nd January, 2000, Excel Technology International (BVI) Limited allotted and issued at par of 1 share of US\$1 each in its share capital, constituting its entire issued share capital, to Excel (BVI) Limited.

Save as disclosed hereinbefore, 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 Shares**

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. The term “shares” in this section shall mean shares of all classes and securities which carry a right to subscribe or purchase the shares of a company listed on GEM.

A resolution was passed by the shareholders of the Company on 16th June, 2000, pursuant to which a general unconditional mandate (the “Repurchase Mandate”) has been granted to the Directors authorising the repurchase by the Company 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 of Hong Kong and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (such share capital shall include the Shares which may be issued pursuant to the exercise of the Over-allotment Option), during the period from the passing of such resolution up to:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the applicable laws of Bermuda or the bye-laws of the Company to be held; or
- (c) the revocation or variation of the Repurchase Mandate by an ordinary resolution of shareholders of the Company in general meeting,

whichever is the earliest.

**(a) Provisions of the GEM Listing Rules**

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

**(i) Shareholder approval**

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with its listings on GEM must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

**(ii) Source of funds**

Repurchases by a company may only be financed out of funds legally available for the purposes in accordance with its memorandum of association and bye-laws and any applicable laws. A listed company may not repurchase its own 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.

(iii) *Trading restrictions*

The total number of shares which a company is authorised to repurchase on GEM is shares representing up to a maximum of 10 per cent. of the aggregate nominal amount of the existing issued share capital at the date of the passing of the ordinary resolution approving the repurchase mandate. A company may not issue or announce an issue of new shares for a period of 30 days immediately following a repurchase of shares (except pursuant to the issue of shares pursuant to an exercise of warrants, share options or similar instruments outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the purchase price of shares purchased on GEM should not be 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) and the opening bid or any bid shall not be made in the last 30 minutes before the close of normal trading hours as stipulated in the Rules of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the repurchase would result in the number of listed securities in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange.

A company shall procure that any broker appointed by it to effect the purchase of its own shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the company as the Stock Exchange may request.

(iv) *Status of repurchased securities*

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the certificates of those securities must be cancelled and destroyed as soon as reasonably practicable. Under Bermuda law, a company's repurchased shares shall be treated as cancelled.

(v) *Suspension of repurchases*

Any repurchase of securities is prohibited after a piece of price sensitive information has developed or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of the company's annual results or the publication of the company's interim report, a company is prohibited from making any repurchase of securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit a company from making any repurchase of securities on the Stock Exchange if a company has breached any of 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. The Stock Exchange is to make this information publicly available as soon as possible. In addition, a company's annual report and accounts are required to disclose details regarding securities repurchases made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest investment price paid for such repurchases and the aggregate price paid. The

directors' report shall contain reference to the repurchases made during the year and the directors' reasons for making such repurchases. The company shall make arrangements with its broker who effects the repurchase to provide the company in a timely fashion the necessary information in relation to the repurchase made on behalf of the company to report to the Stock Exchange.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities on GEM from a "connected person", that is, a director, chief executive, substantial shareholder or management shareholder of the company or an associate of any of them (as defined in the GEM Listing Rules), and a connected person is prohibited from knowingly selling his securities to the company on the Stock Exchange.

**(b) Reasons for Repurchases**

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

**(c) Funding of Repurchases**

Any repurchases will only be financed out of funds of the Company legally available for the purposes in accordance with its memorandum of association and bye-laws and the applicable laws of Bermuda. The Company will not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

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

**(d) Exercise of the Repurchase Mandate**

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the completion of the Share Offer and the Capitalisation Issue (and on the assumption that the Over-allotment Option is not exercised) could accordingly result in up to 100,000,000 Shares being repurchased by the Company during the period from the passing of such resolution 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 applicable laws of Bermuda or the bye-laws of the Company to be held; or
- (iii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest.

**(e) Disclosure of Interests**

As at the Latest Practicable Date, none of the Directors and, to the best of their knowledge, having made all reasonable enquiries, none of their respective associates (as defined in the GEM Listing Rules), have any present intention to sell any Share to the Company or its subsidiaries if the Repurchase Mandate is approved by the shareholders of the Company and exercised by the Directors.

As at the Latest Practicable Date, no connected persons (as defined in the GEM Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, if the Repurchase Mandate is approved by the shareholders of the Company and exercised by the Directors.

**(f) Directors' Undertaking**

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

**(g) Takeovers Code Consequences**

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 purposes of the Takeovers Code. Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

## **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 the Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) bought and sold notes executed by Excel Technology International (Hong Kong) Limited (formerly known as Excel Consultancy Limited) and Wiply Investment Limited dated 5th December, 1998, pursuant to which 9,500 shares of HK\$1 each in the share capital of Net Fun Limited were transferred from Wiply Investment Limited to Excel Technology International (Hong Kong) Limited at a consideration of HK\$1;

- (b) bought and sold notes executed by Rich-Pines Investments Company Limited and Excel Technology International (Hong Kong) Limited (formerly known as Excel Consultancy Limited) dated 29th January, 2000, pursuant to which 8,500 shares of HK\$1 each in the share capital of Net Fun Limited were transferred from Excel Technology International (Hong Kong) Limited to Rich-Pines Investments Company Limited at a consideration of HK\$1;
- (c) a subscription agreement dated 12th February, 2000 entered into among the Company, Excel Systems Limited, Excel Technology International (Hong Kong) Limited, Ms. Peggy Chan, and investors comprising Alps, CV Software Holdings Limited, UOB, UOB Venture Investments Limited, UOB Venture Investments II Limited and UOB Venture Technology Investments Limited (the "Investors"), pursuant to which the Company agreed to allot and issue to the Investors or their respective nominees the Convertible Notes;
- (d) a note instrument dated 2nd March, 2000 executed by the Company, Excel Systems Limited, Excel Technology International (Hong Kong) Limited and Ms. Peggy Chan constituting the Convertible Notes;
- (e) an agreement dated 21st February, 2000 entered into between the Company and Cheung Kong pursuant to which the Company and Cheung Kong agreed to form a strategic alliance to provide application software, information technology and e-commerce related services;
- (f) a joint venture agreement dated 21st February, 2000 between the Company and Cheung Kong as superseded by a side letter dated 14th March, 2000 between the same parties thereto, and a joint venture agreement dated 14th March, 2000 between the Company and iBusiness Corporation (the "JV Agreement"), as modified by a side letter dated as of 14th March, 2000 between the Company and iBusiness Corporation in relation to the management and operation of a joint venture for the ASP Business, including the provision of application business systems and operations support via telecommunications network and the Internet;
- (g) an addendum dated 15th June, 2000 between the Company and iBusiness Corporation relating to the JV Agreement whereby, in the event the application for listing of i21 Limited is approved by a recognised stock exchange on or before 31st December, 2000, the Company and iBusiness Corporation shall procure i21 Limited to issue to the Company new shares in i21 Limited representing 5 per cent. of the issued share capital of i21 Limited immediately before the time of such allotment at a consideration equal to the total investment of iBusiness Corporation in i21 Limited up to the date of such allotment multiplied by the difference between the respective dilutions of iBusiness Corporation's interest and the Group's interest in i21 Limited as a result of such allotment;
- (h) a letter agreement dated 15th June, 2000 entered into between the Company and Alps pursuant to which the Company agreed to issue to Alps the Additional Convertible Note at an issue price of 100 per cent. of the principal amount thereof;

- (i) the Underwriting Agreement; and
- (j) a deed of indemnity dated 19th June, 2000 executed by Ms. Peggy Chan and Passion in favour of the Group in relation to (i) contingent liabilities referred to under “Financial information — Contingent liabilities” of this prospectus; and (ii) taxation and estate duty referred to under “Other information — Estate duty and tax indemnity” in this Appendix.

### Intellectual property

As at the Latest Practicable Date, the Group has applied for registration of the following marks in respect of the classes of goods and services specified below:

Trade Mark	Place of application	Class	Name of applicant	Application number	Date of application
<b>Hong Kong</b>					
志鴻	Hong Kong	9	Excel Technology International (BVI) Limited	3678 of 2000	24th February, 2000
志鴻	Hong Kong	35	Excel Technology International (BVI) Limited	3679 of 2000	24th February, 2000
志鴻	Hong Kong	42	Excel Technology International (BVI) Limited	3680 of 2000	24th February, 2000
EXCEL	Hong Kong	9	Excel Technology International (BVI) Limited	3681 of 2000	24th February, 2000
EXCEL	Hong Kong	35	Excel Technology International (BVI) Limited	3682 of 2000	24th February, 2000
EXCEL	Hong Kong	42	Excel Technology International (BVI) Limited	3683 of 2000	24th February, 2000
<i>Excel</i> 志鴻	Hong Kong	37	Excel Technology International (BVI) Limited	9318 of 2000	28th April, 2000
EXCEL 志鴻					
<i>Excel</i> 志鴻	Hong Kong	41	Excel Technology International (BVI) Limited	9319 of 2000	28th April, 2000
EXCEL 志鴻					

Trade Mark	Place of application	Class	Name of applicant	Application number	Date of application
<b>Singapore</b>					
志鴻	Singapore	9	Excel Technology International (BVI) Limited	T00/03578Z	8th March, 2000
志鴻	Singapore	35	Excel Technology International (BVI) Limited	T00/03579H	8th March, 2000
志鴻	Singapore	42	Excel Technology International (BVI) Limited	T00/03580A	8th March, 2000
EXCEL	Singapore	9	Excel Technology International (BVI) Limited	T00/03575E	8th March, 2000
EXCEL	Singapore	35	Excel Technology International (BVI) Limited	T00/03576C	8th March, 2000
EXCEL	Singapore	42	Excel Technology International (BVI) Limited	T00/03577A	8th March, 2000

The Group has registered the following domain names:

Domain Names	Date of Registration	Place of Registration
excel.com.hk	12th December, 1997	Hong Kong
itjob.com.hk	28th August, 1998	Hong Kong

## FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

### Particulars of service contracts

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

Ms. Peggy Chan, Ms. Leung Lucy, Michele, Mr. Fung Din Chung, Rickie and Mr. Ng, Wai King, Steve have entered into service contracts with the Company commencing from 1st March, 2000 and Mr. Ip Kim Kuen has entered into a service contract with the Company commencing from 20th March, 2000. The term of each contract is three years subject to termination by not less than six months' notice in writing served by either party on the other.

Each of Ms. Peggy Chan and Ms. Leung Lucy, Michele is entitled to a basic monthly salary (subject to review at the time of the annual reviews for the Directors) and a thirteenth month's salary, representing respectively an aggregate amount of HK\$1,300,000 per annum. Mr. Fung Din Chung, Rickie, Mr. Ng, Wai King, Steve and Mr. Ip Kim Kuen are entitled to a basic monthly salary (subject to review at the time of the annual review for the Directors), representing an aggregate amount of HK\$1,200,000, HK\$1,320,000 and HK\$1,800,000 per annum

respectively. Each of the Directors is also entitled to other benefits including provision of free medical, dental and optical services. In addition, each of the Directors is entitled to a discretionary bonus. The aggregate amount of the bonuses payable to all Directors for any financial year will not exceed 5 per cent. of the audited consolidated net profits of the Group for the relevant financial year. None of the Directors is entitled to vote on any resolution of the board of Directors relating to any bonus payable to him/her. Two residential properties of the Group are provided to Ms. Peggy Chan and Ms. Leung Lucy, Michele as their respective quarters free of charge.

Save as disclosed herein, 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**

An aggregate of approximately HK\$5.3 million was incurred in respect of Directors' emoluments for the year ended 31st December, 1999. Further information in respect of the Directors' emoluments is set out in the Accountants' Report in Appendix I to this prospectus.

Under the present arrangement, the aggregate of the Directors' fees and remuneration paid or payable to, and benefits in kind received or receivable by, the Directors for the year ending 31st December, 2000 are estimated to be approximately HK\$7.5 million.

The Company's policies concerning the remuneration of the Directors are:

- (a) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility and the time devoted to the Group;
- (b) non-cash benefits are provided to the Directors under the remuneration package; and
- (c) the Directors may be granted, at the discretion of the board of Directors, share options under the Share Option Scheme as part of their remuneration package.

### **Interests of Directors and experts in the share capital of the Company after the Share Offer**

Immediately following the completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be taken up under the Share Offer and the Shares to be issued pursuant to the Over-allotment Option, once the Shares are listed, the interests of the Directors and chief executives in the equity or debt securities of the Company or any 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), or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register required to be kept therein, 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 will be as follows:

Name of Director	Name of company	Personal interests	Family interests	Corporate interests
Ms. Peggy Chan	the Company	—	—	579,956,044 <sup>(1)</sup>
Ms. Leung Lucy, Michele	the Company	—	—	24,559,498 <sup>(2),(3)</sup>
Mr. Fung Din Chung, Rickie	the Company	24,559,498 <sup>(3)</sup>	—	—
Mr. Ng Wai King, Steve	the Company	21,050,998 <sup>(3)</sup>	—	—
Mr. Ip Kim Kuen	the Company	1,403,400 <sup>(3)</sup>	—	—

Notes:

- (1) These Shares are held by Passion. Ms. Peggy Chan is deemed to have interests in these Shares under the SDI Ordinance as Passion is wholly owned by her. These Shares are inclusive of Shares subject to the Share Option Deeds.
- (2) These Shares are held by Mossell. Ms. Leung Lucy, Michele is deemed to have interests in these Shares under the SDI Ordinance as Mossell is wholly-owned by her.
- (3) The Shares owned by each of the Directors as listed above were acquired from Ms. Peggy Chan at a consideration of HK\$1.00 on 15th June, 2000. Each of the Directors had undertaken to Ms. Peggy Chan that he/she shall not dispose of any of his/her Shares during the period from the date of acquisition thereof to the last day of the 6 month-period following the Listing Date and of 50 per cent. of his/her Shares within 1 year from the Listing Date, and that if he/she ceases to be employed as director of the Company within 2 years from the Listing Date, he/she shall re-transfer to Ms. Peggy Chan all the Shares acquired from her at a consideration of HK\$1.

So far as the Directors are aware, the following (not being Directors nor chief executives of the Company) will, immediately following the completion of the Share Offer and the Capitalisation Issue and on the assumption that the Over-allotment Option is not exercised and taking no account of Shares that may be taken up under the Share Offer, be interested in 10 per cent. or more of the voting power at general meetings of members of the Group:

Name	Registered address	Number of shares in the Company	Approximate percentage of holding (Note 1)
Passion	East Asia Chambers, P.O. Box 91, Road Town, Tortola, B.V.I.	579,956,044	57.99%

Note:

- (1) The percentage is calculated based on 1,000,000,000 issued Shares, assuming completion of the Share Offer and the Capitalisation Issue and no Over-allotment Option is exercised.

**Agency fees or commissions received**

None of the Directors, the promoter of the Company or the persons named under “Consents” in this Appendix had received any discounts, brokerages and other special terms, agency fee or commission from the Group in connection with the issue or sale of any member of the Group within the two years immediately preceding the date of this prospectus.

**Related party transactions**

On 29th January, 2000, Excel Technology International (Hong Kong) Limited transferred to Rich-Pines Investments Company Limited, which is wholly beneficially owned by Ms. Peggy Chan, 8,500 shares of HK\$1 each in the share capital of Net Fun Limited at a consideration of HK\$1.

On 3rd May, 2000, Excel Technology International (Hong Kong) Limited and Net Fun Limited entered into a sub-tenancy agreement pursuant to which Net Fun Limited sub-leased office premises located at Suite 1405, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from Excel Technology International (Hong Kong) Limited for a fixed term of 23 months and 24 days from 1st June, 2000 to 24th May, 2002. On 1st June, 2000, Excel Technology International (Hong Kong) Limited and Net Fun Limited entered into an administrative services agreement pursuant to which Excel Technology International (Hong Kong) Limited agreed to provide accounting, general office administrative and company secretarial services as may be requested by Net Fun Limited from time to time. Details of the sub-tenancy agreement and the administrative services agreement referred to hereinabove are set out under “Business — Continuing connected transactions”.

Related party transactions entered into by the Group within the three years immediately preceding the date of this prospectus are set out in section 5 of the Accountants’ Report in Appendix I to this prospectus.

**Disclaimers**

Save as disclosed in this Appendix:

- (a) once the Shares are listed, none of the Directors or chief executives of the Company has any interest in the equity or debt securities 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 he will be taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register required to be kept therein 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;
- (b) none of the Directors or persons referred to under “Consents” in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, 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) except for a sponsor's agreement dated 19th June, 2000 entered into between HSBC Investment Bank Asia and the Company whereby the Company has appointed HSBC Investment Bank Asia to act as its sponsor (for a sponsor's fee) for the purposes of the GEM Listing Rules, none of the Directors or persons referred to under "Consents" 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 taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts 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);
- (e) taking no account of any Shares which may be taken up under the Share Offer, the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue and on the assumption that the Over-allotment Option is not exercised, be interested, directly or indirectly, in 10 per cent. or more of the nominal amount of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or any options in respect of such capital; and
- (f) none of the persons referred to under "Consents" 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.

## **SHARE OPTION SCHEME**

### **Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a resolution passed by the shareholders of the Company on 16th June, 2000:

#### **(a) Who may join**

The board of Directors ("**Board**") may offer to grant to any Participants (as defined in the next paragraph below) as the Board may in its absolute discretion select options to subscribe for such number of Shares as the Board may determine at a price calculated in accordance with paragraph (d) below.

For the purposes of the Share Option Scheme, "**Participant**" means any full time employee or director of the Company or any Subsidiary who satisfies the following requirements:

- (i) in the case of a director, any executive director of the Company or any Subsidiary; or

- (ii) in the case of an employee, the aggregate number of hours spent by that employee in providing services to the Company or any Subsidiary is not less than 25 hours per week, determined by averaging out the total number of hours so spent since the employee commenced working for the Company or any Subsidiary and up to the date of the proposed grant of any Option and the employee has been in continuous employment with the Group for a period of six months.

**(b) Grant of Option**

Any grant of options 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 should be granted until such information has been announced pursuant to the requirements of the GEM Listing Rules.

**(c) Payment on acceptance of option offer**

HK\$1.00 is payable by the Participant to the Company on acceptance of the option offer.

**(d) Price of Shares**

The subscription price for Shares in relation to options to be granted under the Share Option Scheme will be a price determined by the Board and notified to each relevant Participant (subject to adjustments) and will be at least the highest 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 the Shares.

**(e) Maximum number of Shares**

The limit of the total number of Shares subject to the Share Option Scheme and any other schemes established by the Company from time to time shall be determined as follows:

- (i) Subject to paragraph (iii) below, shareholders of the Company may authorise the Directors to grant options under the Share Option Scheme and any other outstanding schemes of the Company entitling grantees to exercise up to an aggregate of 10 per cent. of the issued shares of the Company from time to time (excluding (i) Shares issued upon the exercise of options granted pursuant to the Share Option Scheme and any other schemes of the Company; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)) (the "**General Mandate Limit**"). Such general mandate may be renewed if approved by shareholders in general meetings;

- (ii) Subject to paragraph (iii) below, the Company may issue share options to specified participants over and above the General Mandate Limit if such grant is specifically approved by shareholders in general meetings; and
- (iii) The total number of shares which may be exercised under the Share Option Scheme and any other outstanding schemes of the Company must not exceed 30 per cent. of its total issued shares from time to time (excluding (i) Shares issued upon the exercise of options granted pursuant to the Share Option Scheme and any other schemes of the Company; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)).

Upon completion of the Share Offer, the total number of Shares subject to the Share Option Scheme will be 300,000,000, representing 30 per cent. of the issued share capital of the Company following completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised) (excluding (i) Shares issued upon the exercise of options granted pursuant to the Share Option Scheme and any other schemes of the Company; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)).

No Participant shall be granted an option which, if exercised in full, would result in such person's maximum entitlement to exceed 25 per cent. of the aggregate number of Shares for the time being issued and are issuable under the Share Option Scheme.

**(f) 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. The Option Period shall not be less than three years and not more than ten years from the date upon which the option is accepted in accordance with the Share Option Scheme but subject to the provisions for early termination contained therein.

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

An option may not be sold, transferred, assigned, charged, mortgaged or encumbered and is personal to the grantee, nor shall any interest be created in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such grantee.

**(h) Rights on ceasing to be a Participant**

- (i) If the grantee of an option ceases to be a Participant on grounds of resignation, retirement, expiry of employment contract or termination of employment for any reason other than death, misconduct or certain other grounds (including bankruptcy, insolvency or a conviction for a criminal offence), the grantee may exercise the option up to the grantee's entitlement at the date of cessation (to the extent not already exercised) within the period of three months following the date of such cessation, which date shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not.

- (ii) If the grantee of an option ceases to be a Participant for reason of misconduct or certain other grounds (including bankruptcy, insolvency or a conviction for a criminal offence), the option (to the extent not exercised) shall lapse and not be exercisable on the date of such cessation.

**(i) Rights on death**

If the grantee of an option dies before exercising the option in full and none of certain events which would be grounds for termination of his or her employment or contract for service, including misconduct, bankruptcy, insolvency and a conviction for a criminal offence, occurs, his or her personal representative(s) may exercise the option in full (to the extent not already fully exercised) within a period of twelve months from the date of death or such shorter period as the Board may determine, failing which the option will lapse.

**(j) Effects of alterations to capital**

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable, such corresponding alterations (if any) certified in writing by the auditors for the time being of the Company or an independent financial adviser as fair and reasonable (except in the case of a capitalisation issue where no such certification shall be required) will be made in the Shares to which the option relates, the aggregate number of Shares subject to outstanding options, the subscription price of each outstanding option; provided that any such alterations shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible (but shall not be greater than) as it was before such event, no such alteration shall be made so that a Share would be issued at less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company as that to which he or she was previously entitled and no alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of Shares as consideration in a transaction.

**(k) Rights on take-over**

If a general offer (including any take-over) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) with the terms of the offer having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantee (or his or her personal representative(s)) may exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

**(l) Rights on a compromise or arrangement**

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal

representative(s)) shall be entitled to exercise all or any of his or her options in whole or in part at any time prior to 12 noon on the day immediately preceding the date of the meeting directed to be convened by the Court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement is not approved by the Court (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court) the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the Court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

**(m) Lapse of Option**

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

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraphs (h), (i) or (k) respectively;
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (l);
- (iv) the date of the commencement of the winding-up of the Company;
- (v) the date on which the grantee of an option ceases to be a Participant by reason of the termination of his or her employment or contract for service on grounds specified in the Share Option Scheme including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence involving his or her integrity or honesty; or
- (vi) the date on which the grantee sells, transfers, assigns, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any option in breach of the Share Option Scheme.

**(n) Ranking of Shares**

The Shares to be allotted upon the exercise of an option will be subject to the Company's bye-laws for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of allotment.

Unless the context otherwise requires, references to “Shares” in the Share Option Scheme include references to shares in the Company of HK\$0.10 each or of such other nominal amount as shall result from a sub-division or a consolidation of such Shares from time to time.

**(o) Cancellation of Options granted**

Any cancellation of options granted but not exercised must be approved by shareholders of the Company in general meeting (and also by shareholders of any holding company of the Company which is listed on the Main Board or on GEM, if applicable), with Participants 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 the date on which the Share Option Scheme becomes unconditional (which is expected to be on or before the Listing Date) after which period no further options will be offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

**(q) Termination of Share Option Scheme**

The Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect in respect of any options granted prior thereto.

**(r) Alteration to Share Option Scheme**

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 the advantage of grantees or prospective grantees except with the prior approval of the shareholders of the Company in general meeting (with grantees 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 majority of the grantees as would be required of the Company’s shareholders under the Company’s bye-laws for the time being for a variation of the rights attached to the Shares.

Any alteration to the terms and conditions of the 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 the Share Option Scheme.

**(s) Administration of the Share Option Scheme**

The Share Option Scheme shall be subject to the administration of a committee whose members include the independent non-executive Directors and, if applicable, also the independent non-executive directors of any holding company of the Company which is also listed on the Main Board or on GEM.

**(t) Conditions of the Share Option Scheme**

The Share Option Scheme is conditional on (i) the GEM Listing Committee 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 shareholders of the Company at its general meeting. Application has been made to the GEM Listing Committee for the approval of the Share Option Scheme, the granting of the options under the Share Option Scheme and the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.

**(u) Grant of option to connected persons**

Where an offer of the grant of any option is proposed to be made to a connected person (as such term is defined in the GEM Listing Rules), such offer of the grant of an option must be approved by the majority of independent non-executive directors of the Company.

In addition, where any offer of grant of an option is proposed to be granted to a connected person who is also a substantial shareholder of the Company or any of his/her associates (as defined in the GEM Listing Rules) which would result in the Shares the subject matter of all options granted (including options exercised and outstanding) and proposed to be granted to such person under the Share Option Scheme and any other scheme(s) in the 12-month period up to and including the proposed date of grant of the option (a) representing in aggregate over 0.1 per cent. of the issued share capital of the Company then in issue; and (b) having a value, based on the closing price of the Shares at the proposed date of grant, in excess of HK\$5 million, such offer of grant of options must be approved by the shareholders of the Company in general meeting with all the connected persons of the Company abstaining from voting.

**Present status of the Share Option Scheme**

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

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

**OTHER INFORMATION****Estate duty and tax indemnity**

Ms. Peggy Chan and Passion have given joint and several 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 on or before the date on which the Share Offer becomes unconditional; and any other tax liabilities of the Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional.

Ms. Peggy Chan and Passion will, however, not be liable under the deed of indemnity for taxation where:

- (a) provision or allowance has been made for such taxation in the audited combined accounts of the Group for the three years ended 31st December, 1999 set out in Appendix I to this prospectus;
- (b) the taxation arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of the deed of indemnity;
- (c) the liability for payment would not have arisen but for any act, transaction, omission or delay by any member of the Group voluntarily effected after the date of the deed of indemnity and otherwise than in the ordinary course of business (other than pursuant to a legally binding commitment created on or before the date of the deed of indemnity) without the prior written consent or agreement of Ms. Peggy Chan or Passion; or
- (d) provisions or reserve made for taxation in the audited combined accounts of the Group for the three years ended 31st December, 1999 finally established to be an over-provision or an excessive reserve.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in Bermuda and the BVI.

### **Litigation**

A member of the Group (the "member") entered into an agreement on 1st May, 1993 to acquire from a third party vendor, inter alia, a software programme at a consideration of HK\$2 million, and paid an initial deposit of HK\$200,000. A dispute arose between the Group and the third party vendor in respect of the completeness of the software programme that was delivered and the representations made at the time of sale, and the Group rejected delivery of the software programme. On 9th January, 1995, the third party vendor filed a claim against the member for payment of HK\$1.8 million plus damages and the costs of the legal action. However, the third party vendor did not place a security deposit for the litigation, and no further actions or proceedings had taken place in respect of the dispute since April, 1995. The Directors have been advised that as many years have elapsed since the commencement of the action, the member may apply to the court to strike out the claim of the third party vendor for want of prosecution. The court will take into account all circumstances of the case before exercising its discretion as to whether the striking out application would be granted.

It is the intention of the Directors to defend the claim vigorously in the event the third party vendor continues legal action. Accordingly, no provision for the claim and legal costs in respect thereof has been made in the financial statements of the Group. Ms. Peggy Chan has agreed to indemnify the member for any losses up to HK\$2 million arising from the claim for the period up to and including 30th June, 2001.

Two members of the Group are in dispute with a firm of lawyers (the "Previous Lawyers") handling the Group's pre-listing restructuring, Convertible Notes issue and intellectual property registration in respect of several invoices for an aggregate amount of around HK\$2.3 million rendered by the Previous Lawyers and are currently seeking a taxation of such invoices. The Group has already paid HK\$2.5 million into court which covers the full amount of the bills and the costs of taxation. An amount of HK\$1 million (plus taxation fees) has been paid out from the HK\$2.5 million to the Previous Lawyers as interim payment without prejudice to demand for refund to the relevant members of the Group such amounts overpaid after taxation. The Previous Lawyers are required to lodge detailed bills of costs for the purpose of taxation within 45 days from 10 April 2000. The members of the Group will raise objection to the detailed bills. The court will then decide and certify the ultimate amount to be paid by the relevant members of the Group. Ms. Peggy Chan has agreed to indemnify such two members of the Group for any losses in excess of the amount already paid by the two members of HK\$1 million, up to a limit of HK\$1.5 million, arising from the dispute for the period up to and including 31st December, 2000. It is likely that the taxation process will take several months from the date the detailed bills are lodged with the court to a final assessment.

Save as disclosed above, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

### **Sponsor**

HSBC Investment Bank Asia has made an application on behalf of the Company to the GEM Listing Committee for the listing of, and permission to deal in, all the Shares in issue, the Shares to be issued as mentioned herein and any Shares which may fall to be issued pursuant to (i) the exercise of any options granted under the Share Option Scheme; and (ii) the exercise of conversion rights under the Additional Convertible Note.

HSBC Investment Bank Asia, which will receive a commission and a financial advisory fee as mentioned under "Underwriting", is an indirect subsidiary of HSBC, which will receive a fee for its services as the receiving banker to the Share Offer. HSBC Nominees Asia Limited, a subsidiary of HSBC Investment Bank Asia Holdings Limited, the holding company of HSBC Investment Bank Asia, will receive a fee for its services in connection with holding the application monies received pursuant to the Share Offer.

### **Minimum subscription**

There is no minimum subscription which must be raised by the offer of Shares by the Company under the Share Offer in order to provide the sums required to cover the matters referred to in section 28 of the Companies Act.

### **Registration procedures**

Subject to the provisions of the Companies Act, the register of members of the Company will be maintained in Bermuda by Butterfield Corporate Services Limited and a branch register of members of the Company will be maintained in Hong Kong by Central Registration Hong Kong 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 branch share registrar in Hong Kong and may not be lodged in Bermuda.

**Taxation of holders of Shares****(a) *Bermuda***

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

**(b) *Hong Kong***

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

There will be no Hong Kong tax on capital profits derived by holders of Shares from the sale of Shares, unless an investment in the Shares forms part of a share dealing business carried on in Hong Kong, in which case the profit from the sale of Shares will be subject to Hong Kong tax at the maximum rate of 15 per cent. for individual investors, or 16 per cent. for corporate investors, if it is considered to be a Hong Kong sourced revenue profit. Dividends are not subject to Hong Kong tax for either individual or corporate investors.

**(c) *Generally***

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of the Company, the Directors, HSBC Investment Bank Asia, the Underwriters, their respective directors nor any other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of, persons resulting from the subscription for, holding, purchase or disposal of or dealing in, Shares.

**Preliminary expenses**

The preliminary expenses of the Company are estimated to be approximately US\$5,500 and are payable by the Company.

**Promoter**

The promoter of the Company is Ms. Peggy Chan. Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted or given to the promoter in connection with the Share Offer or related transactions described in this prospectus within the two years preceding the date of this prospectus nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Share Offer or related transactions as described in this prospectus.

**Qualifications**

The following are the qualifications of the persons which have given their opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
HSBC Investment Bank Asia	An exempt dealer under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
KPMG	Certified public accountants
Chesterton Petty Limited	Chartered surveyors and independent valuers
Conyers Dill & Pearman	Bermuda barristers and attorneys

**Consents**

Each of HSBC Investment Bank Asia, KPMG, Chesterton Petty Limited and Conyers Dill & Pearman 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 opinion and/or the references to its name included herein in the form and context in which it is respectively included.

**Binding effect**

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

**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 share or loan capital of the Company or any of its subsidiaries.

- (b) The Directors confirm that:
- (i) since 31st December, 1999, there has been no material adverse change in the financial or trading position or prospects of the Group; and
  - (ii) there has not been any interruption in the business of the Group which may have or have had a material adverse effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (c) Each of Mr. John Charles Ross Collis and Mr. Anthony Devon Whaley, the Bermuda resident representative and deputy resident representative of the Company, is a partner in Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, which firm will receive normal professional fees in connection with the Share Offer. Mr. Ira Stuart Outerbridge III, currently a joint secretary of the Company who will resign after the listing of the Shares on GEM, is an employee of Codan Services Limited, a company affiliated with Conyers Dill and Pearman.