

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27th March, 2001. The Company has established a place of business in Hong Kong at Units 1713-1716, Technology Park, 18 On Lai Street, Shatin, New Territories, Hong Kong and has been registered as an overseas company under Part XI of the Companies Ordinance. In connection with such application, Mr. Man has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum of association and articles of association. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital

As at the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each, one of which was allotted and issued at par to Codan Trust Company (Cayman) Limited, which Share was transferred to Mr. Y.S. Lau on 6th April, 2001 for cash at par.

Pursuant to the written resolutions of the sole shareholder of the Company passed on 25th May, 2001, the then entire issued and unissued share capital of the Company represented by 3,800,000 shares of HK\$0.10 each was sub-divided into 38,000,000 Shares of HK\$0.01 each.

Pursuant to the written resolutions of the sole shareholder of the Company passed on 10th October, 2001, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares.

On 10th October, 2001, Mr. Y.S. Lau transferred 10 Shares to World One for cash at par.

On 12th October, 2001, 55,793,990 Shares, 642,000 Shares, 1,440,000 Shares, 960,000 Shares, 714,000 Shares, 300,000 Shares and 150,000 Shares were allotted and issued to World One, Mrs. Lau, Mr. S.S. Lau, Mr. Man, Mr. Lim, Mr. Kim Hyung Tae and Mr. Lee Jeong Hoon respectively, credited as fully paid as consideration and in exchange for the acquisition by the Company of their respective shareholdings in Universal Cyberworks (Group) Limited.

Immediately following completion of the Placing and Capitalisation Issue, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the authorised share capital of the Company will be HK\$20,000,000 divided into 2,000,000,000 Shares and the issued share capital will be HK\$6,000,000 divided into 600,000,000 Shares (each of which will be fully paid or credited as fully paid) and 1,400,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under any of the Pre-IPO Share Option Schemes, the Share Option Scheme, 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.

3. Written resolutions of the sole shareholder of the Company passed on 10th October, 2001

On 10th October, 2001, written resolutions of the sole shareholder of the Company were passed pursuant to which the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares.

4. Written resolutions of all the shareholders of the Company passed on 12th October, 2001

On 12th October, 2001, written resolutions of all the shareholders of the Company were passed pursuant to which, inter alia:

- (a) the Company approved and adopted its articles of association;
- (b) conditional on the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein and on the obligations of the Underwriter under the Underwriting Agreement referred to in the paragraph headed “Underwriting arrangements and expenses” in the section headed “Underwriting” of this prospectus becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriter) and not being terminated in accordance with the terms of that agreement or otherwise prior to 6:00 p.m. on the day immediately preceding the day on which dealings in the Shares on GEM first commence:–
 - (i) the Placing was approved and the Directors were authorised to allot and issue the Placing Shares pursuant thereto;
 - (ii) the Over-allotment Option was approved and the Directors were authorised to effect the same and to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option;
 - (iii) the rules of the Pre-IPO Share Option Scheme A, the principal terms of which are set out in the section headed “Pre-IPO Share Option Scheme A” of this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme A;

- (iv) the rules of the Pre-IPO Share Option Scheme B, the principal terms of which are set out in the section headed “Pre-IPO Share Option Scheme B” of this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme B;
- (v) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Share Option Scheme” of this Appendix, were approved and adopted and the Directors were authorised to grant options, to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (vi) conditional on the share premium account of the Company being credited as a result of the Placing, HK\$3,900,000 of such amount was directed to be capitalised and applied in paying up in full at par 390,000,000 Shares for allotment and issue to holders of Shares on the register of members of the Company as at 16th October, 2001 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing holdings;
- (vii) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue or pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Schemes, the Share Option Scheme or any allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company, Shares with an aggregate total nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue and to be issued as mentioned herein (including Shares to be issued pursuant to the Capitalisation Issue and upon exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held or the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;
- (viii) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the total nominal value of the share capital of the Company in issue and to be issued as mentioned herein (including Shares to be issued pursuant to the Capitalisation Issue and upon exercise of the Over-allotment Option) such mandate to remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held or the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;

- (ix) the general unconditional mandate mentioned in paragraph (vii) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate to repurchase Shares referred to in paragraph (viii) provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of the Company in issue and to be issued as mentioned herein (including Shares to be issued pursuant to the Capitalisation Issue and upon exercise of the Over-allotment Option).

5. Corporate reorganisation

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

- (a) On 26th March, 2001, the transfer of 90% registered capital in Jiangxi Universal Online Information & Technology Limited ("UCOL") by UCW to Crown Hill Holdings Limited ("Crown Hill"), a company controlled by Mr. Y.S. Lau in consideration of Rmb1,000 took effect.
- (b) On 27th March, 2001, the Company was incorporated.
- (c) On 30th March, 2001, UCW transferred 250,000 shares of US\$1.00 each in the share capital of Synenet Limited to World Success Holdings Limited, a company controlled by Mr. Y.S. Lau, in consideration of US\$250,000.
- (d) On 30th March, 2001, iPayment China transferred 24,000 shares of US\$1.00 each in the share capital of iLogistics China to UCW in consideration of US\$1.00.
- (e) On 30th March, 2001, an aggregate of 132,000 shares in iLogistics China were allotted and issued to UCW for cash at par.
- (f) On 2nd April, 2001, Universal Cyberworks International Limited, a company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each was incorporated in the British Virgin Islands.
- (g) On 9th April, 2001, one share of US\$1.00 in Universal Cyberworks International Limited was allotted and issued to the Company for cash at US\$1.00.
- (h) On 10th October, 2001, Universal Enterprise (HK) Group Limited ("UEG"), Mrs. Lau, Mr. S.S. Lau, Mr. Man, Mr. Lim, Mr. Kim Hyung Tae and Mr. Lee Jeong Hoon respectively entered into an agreement for the sale and transfer of 8,917,426 shares, 200 shares, 450 shares, 300 shares, 223 shares, 94 shares and 47 shares in the share capital of UCW to Universal Cyberworks International Limited in consideration of the Company allotting and issuing 55,793,990 Shares, 642,000 Shares, 1,440,000 Shares, 960,000 Shares, 714,000 Shares, 300,000 Shares and 150,000 Shares to World One (at UEG's direction), Mrs. Lau, Mr. S.S. Lau, Mr. Man, Mr. Lim, Mr. Kim Hyung Tae and Mr. Lee Jeong Hoon respectively, credited as fully paid.
- (i) On 10th October, 2001, Mr. Y.S. Lau transferred 10 Shares to World One for cash at par.

6. 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.

- (a) Prior to iPayment China becoming a subsidiary of the Group in March 2001, there have been the following changes in its registered capital within the two years immediately preceding the date of this prospectus:–
 - (i) on 13th January, 2001, Mr. Liu transferred his 51% interest in iPayment China to 上海華億科技投資有限公司; and
 - (ii) on 22nd March, 2001 the registered capital of iPayment China was increased from Rmb5 million to US\$5.1 million and UCW acquired a 60% interest in iPayment China. As at the Latest Practicable Date, all of its registered capital has been paid up by UCW in accordance with the articles of association of iPayment China;
- (b) On 17th January, 2001, the authorised capital of UCW was increased from HK\$10,000 to HK\$10,000,000 by the creation of 9,990,000 new shares of HK\$1.00 each, ranking pari passu with the existing shares in all respects;
- (c) On 30th March, 2001, 108,000 shares and 132,000 shares in iLogistics China were allotted and issued to SLI and UCW for cash at par respectively;
- (d) On 11th June, 2001, 223 shares, 94 shares and 47 shares in UCW were allotted and issued to Mr. Lim, Mr. Kim Hyung Tae and Mr. Lee Jeong Hoon in consideration of HK\$1,050,000, HK\$500,000 and HK\$250,000 respectively (which consideration has been reduced to HK\$788,000, HK\$378,000 and HK\$188,000 respectively pursuant to letter agreements dated 12th October, 2001 as mentioned in paragraphs (i), (j) and (k) under the paragraph headed "Summary of material contracts" in the section headed "Further information about the business");
- (e) On 10th October, 2001, 150 shares, 100 shares and 200 shares in UCW were allotted and issued to Mr. S. S. Lau, Mrs. Lau and Mr. Man respectively for cash at par; and
- (f) On 10th October, 2001, 8,907,926 shares of HK\$1.00 each in UCW were allotted and issued to UEG in capitalization of the shareholders' loan and amount due from UCW to UEG for the total amount of HK\$9,989,684.

Save as disclosed herein and in the paragraph headed "Corporate reorganisation" in the section headed "Further information about the Company and its subsidiaries" in this Appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

7. Repurchase by the Company of its own securities

(a) *Exercise of the Buyback Mandate*

Exercise in full of the Buyback Mandate, on the basis of 600,000,000 Shares in issue immediately following completion of the Placing and the Capitalisation Issue, but taking no account of the Shares which may be allotted pursuant to the Over-

allotment Option, could result in up to 60,000,000 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the articles of association of the Company or any other applicable laws to be held; or (iii) the revocation or variation of the Buyback Mandate by an ordinary resolution of the shareholders in general meeting of the Company, whichever occurs first.

(b) Reasons for repurchase

Repurchases of Shares will only be made when the Directors believe that such 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 per Share of the Company and/or its earnings per Share.

(c) Funding of repurchase

In repurchasing the securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws and regulations of the Cayman Islands.

(d) 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 and articles of association of the Company and the applicable laws of the Cayman Islands.

None of the Directors and, to the best of their knowledge, having made all reasonable enquiries, none of their respective associates, have any present intention, if the Buyback Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

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

If as a result of the 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 "Takeovers Code"). As a result, a shareholder, or a group of shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase in the shareholders' interests, could obtain or consolidate control of the Company and become

obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Buyback Mandate.

8. Particulars of Sino-foreign equity joint venture enterprise

The Company has the following interest in iPayment China:

Nature	:	Sino-foreign equity joint venture enterprise
Date of joint venture contract	:	18th January, 2001
Term of joint venture	:	30 years
Registered capital	:	US\$5,100,000
Attributable interest of the Group	:	60%
Date of establishment	:	22nd March, 2001
Capital contribution	:	上海華億科技投資有限公司 (Shanghai Hua Yi Technology Investment Co. Ltd.) – US\$306,000, representing 6% of the registered capital 上海高遠置業(集團)有限公司 (Shanghai Gao Yuan Property (Group) Co. Ltd.) – US\$1,734,000, representing 34% of the registered capital UCW – US\$3,060,000, representing 60% of the registered capital
Number of directors appointed by the Group	:	3 (namely Mr. S.S. Lau, Mr. Man and Mr. Liu)
Number of directors appointed by Shanghai Gao Yuan Group	:	2 (namely Ms. Pan Lei Wah (潘麗華) and Mr. Pan Bin Lin (潘賓林))
Profit and loss ratio	:	in accordance with the ratio of equity interest
Arrangement upon liquidation	:	in accordance with the ratio of equity interest

9. Particulars of wholly foreign-owned enterprise

The Company has the following interest in iLogistics Shanghai:

Nature	:	Wholly foreign-owned enterprise
Sole investor	:	iLogistics China
Registered capital	:	US\$280,000
Term of business licence	:	20 years
Attributable interest of the Group	:	55%
Date of establishment	:	27th March, 2001
Capital contribution	:	iLogistics China – US\$280,000, representing 100% of the registered capital
Number of director appointed by the Group	:	1 (namely Mr. S.S. Lau)

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

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

- (a) an oral agreement entered into on 1st November, 2000 between Shanghai Gao Yuan Group, 上海華億科技有限公司, a member of Shanghai Gao Yuan Group, UCW and Mr. Liu in respect of, inter alia, the preparation for establishment of iPayment China and the manner of sharing of profits in iPayment China between Shanghai Gao Yuan Group, UCW and Mr. Liu as evidenced by a four parties' memorandum (四方備忘錄) executed by the parties on 26th April, 2001;
- (b) a share transfer agreement dated 9th March, 2001 between UCW and Crown Hill in respect of the transfer of UCW's 90% interests in UCOL to Crown Hill;
- (c) a waiver agreement (諒解協議) dated 27th March, 2001 between UCW and 江西金球房地產開發有限公司 ("Jin Qiu") in respect of, inter alia, the waiver by Jin Qiu of all rights and remedies against UCW's failure to contribute capital to UCOL in accordance with the joint venture contract and articles of association of UCOL and the transfer of UCW's 90% interests in UCOL by UCW to Crown Hill;
- (d) a sale and purchase agreement dated 30th March, 2001 between UCW and World Success Holdings Limited for the sale of 250,000 shares in Synenet Limited in consideration of US\$250,000;
- (e) a deed of release dated 30th March, 2001 between UCW, World Success Holdings Limited and Dream of Telecommunication in respect of the release of UCW from a joint venture agreement dated 20th May, 2000 between UCW, World Success Holdings Limited and Dream of Telecommunications in respect of Synenet Limited;
- (f) an oral agreement entered into on 30th March, 2001 between iPayment China and UCW for the acquisition by UCW of 24,000 shares in iLogistics China in consideration of US\$1.00, as evidenced by a memorandum of sale and purchase dated 26th April, 2001 between iPayment China and UCW;
- (g) an oral agreement entered into on 30th March, 2001 between iPayment China and iLogistics China to confirm, inter alia, that the purported allotment of 96,000 shares in the share capital of iLogistics China to iPayment China had not taken place and that each party thereto released the other from all obligations and liabilities whatsoever under or in relation to the said purported allotment, as evidenced by a memorandum of confirmation agreement dated 26th April, 2001 between iPayment China and iLogistics China;
- (h) a supplemental agreement dated 30th March, 2001 between UCW, iPayment China and SLI to amend certain provisions of a joint venture agreement dated 20th December, 2000 between UCW, iPayment China and SLI in respect of iLogistics China;

- (i) a letter agreement dated 5th June, 2001 between UCW and Mr. Lim (as amended and supplemented by a letter agreement dated 12th October, 2001 between Mr. Lim and UCW) in respect of the subscription for 223 shares of HK\$1.00 each in UCW in consideration of HK\$788,000;
- (j) a letter agreement dated 5th June, 2001 between UCW and Mr. Kim Hyung Tae (as amended and supplemented by a letter agreement dated 12th October, 2001 between Mr. Kim Hyung Tae and UCW) in respect of the subscription for 94 shares of HK\$1.00 each in UCW in consideration of HK\$378,000;
- (k) a letter agreement dated 5th June, 2001 between UCW and Mr. Lee Jeong Hoon (as amended and supplemented by a letter agreement dated 12th October, 2001 between Mr. Lee Jeong Hoon and UCW) in respect of the subscription for 47 shares of HK\$1.00 each in UCW in consideration of HK\$188,000;
- (l) a sale and purchase agreement dated 10th October, 2001 (i) UEG, Mrs. Lau, Mr. S.S. Lau, Mr. Man, Mr. Lim, Mr. Kim Hyung Tae and Mr. Lee Jeong Hoon as the vendors and (ii) Universal Cyberworks International Limited (“UCI”) as the purchaser for the acquisition of the entire issued share capital of UCW by UCI in consideration of the allotment and issue, credited as fully paid, of an aggregate of 59,999,990 Shares, as to 55,793,990 Shares to World One (as UEG’s nominee), as to 642,000 Shares to Mrs. Lau, as to 1,440,000 Shares to Mr. S.S. Lau, as to 960,000 Shares to Mr. Man, as to 714,000 Shares to Mr. Lim as to 300,000 Shares to Mr. Kim Hyung Tae and as to 150,000 Shares to Mr. Lee Jeong Hoon;
- (m) an option agreement (選擇權協議書) dated 17th May, 2001 between Mr. Liu, 上海高遠置業(集團)有限公司, iPayment China and Ecommerce China whereby Mr. Liu and 上海高遠置業(集團)有限公司 granted to iPayment China an option to transfer all or part of their respective interests in Ecommerce China to iPayment China or other investor designated by iPayment China;
- (n) a termination agreement (終止協議) dated 7th September, 2001 between Ecommerce China, iPayment China, Mr. Liu and Shanghai Gao Yuan Group whereby all parties thereto agreed to, inter alia, terminate the option agreement referred to in paragraph (m) above;
- (o) the Underwriting Agreement; and
- (p) a deed of indemnity dated 16th October, 2001 executed by UEG, Mr. Y.S. Lau Mrs. Lau, Mr. S.S. Lau and Mr. Man in favour of the Group containing the indemnities as referred to the paragraph headed “Estate duty and tax indemnity” in this Appendix.

2. Intellectual property rights

As at the Latest Practicable Date, the Group has applied for registration of the following trade marks. The products and services covered by the said applications under Classes 9, 36, 38 and 42 include the entire list of goods and services under the respective International Classification of Goods and Services published by the World Intellectual Property Organisation, namely:–

Class 9

Scientific, nautical, surveying, electric, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.

Class 36

Insurance, financial affairs, monetary affairs, real estate affairs.

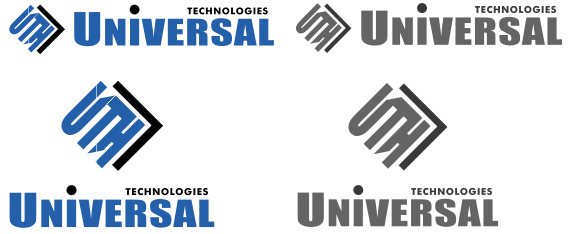
Class 38

Information transfer, computer terminal communication, e-mail, etc.

Class 42

Providing of food and drink; temporary accommodation; medical, hygienic and beauty care; veterinary and agricultural services; legal services; scientific and industrial research; computer programming; services that cannot be classified in other classes.

1. Trade Mark



Place of Application
Class
Application Date
Application No.

Hong Kong
 42
 23rd August, 2001
 2001 13877

2. Trade Mark















Place of Application
Class
Application Date
Application No.

Hong Kong
 36
 1st June, 2001
 2001 08838

3. Trade Mark



	Place of Application	Hong Kong	
	Class	42	
	Application Date	1st June, 2001	
	Application No.	2001 08839	
4.	Trade Mark		
	Place of Application	Hong Kong	
	Class	9	
	Application Date	22nd March, 2001	
	Application No.	2001 04679	
5.	Trade Mark		
			
			
			
	Place of Application	Hong Kong	
	Class	9	
	Application Date	22nd March, 2001	
	Application No.	2001 04680	
6.	Trade Mark		
	Place of Application	Hong Kong	
	Class	42	
	Application Date	22nd March, 2001	
	Application No.	2001 04681	

7. Trade Mark



Place of Application
Class
Application Date
Application No.

Hong Kong
 42
 22nd March, 2001
 2001 04682

8. Trade Mark



Place of Application
Class
Application Date
Application No.

Hong Kong
 36
 22nd March, 2001
 2001 04683

9. Trade Mark





Place of Application Hong Kong
Class 36
Application Date 22nd March, 2001
Application No. 2001 04684

10. **Trade Mark**



Place of Application PRC
Class 38
Application Date 29th April, 2001
Application No. 2001 071170

11. Trade Mark



Place of Application PRC
Class 42
Application Date 29th April, 2001
Application No. 2001 070343

12. Trade Mark



Place of Application PRC
Class 38
Application Date 29th April, 2001
Application No. 2001 070346

13. Trade Mark



Place of Application PRC
Class 42
Application Date 29th April, 2001
Application No. 2001 070347

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

Domain name	Registration date
ipayment.com.cn	7th April, 2001
ipayment.net.cn	7th April, 2001
ipayment.com.hk	10th June, 2001
ilogistics.com.cn	21st April, 2001
ilogistics.net.cn	21st April, 2001
ilogistics.com.hk	23rd May, 2001
ucwhk.com	19th April, 2001
ucw.com.cn	25th April, 2001
ucw.net.cn	25th April, 2001
ucw.com.hk	15th November, 2000
uth.com.hk	29th May, 2001

iPayment China has also registered the following software system with the National Copyright Administration of the People's Republic of China as the copyright owner:–

Name of software system	Registration No.	Effective date	Registration date
Internet payment service V1.0	2001SR2772	28th February, 2001	16th August, 2001

C. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

1. Directors

Disclosure of interests

- (a) Immediately following completion of the Placing, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests 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 will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

Interests in the Company

Name of Director	Personal interests	Family interests	Corporate interests	Total interests
Mr. Y.S. Lau		4,800,000 (note 1)	418,470,000 (note 2)	423,270,000
Mr. S.S. Lau	10,800,000	–	–	10,800,000
Mr. Man	7,200,000	–	–	7,200,000

Notes:

- These Shares are held by Mrs. Lau, the wife of Mr. Y.S. Lau. Mr. Y.S. Lau is therefore deemed to be interested in these Shares by virtue of the SDI Ordinance.
- These Shares are held by World One. The entire issued share capital of World One is wholly beneficially owned by Mr. Y.S. Lau. Mr. Y.S. Lau is therefore deemed to be interested in these Shares by virtue of the SDI Ordinance.

Certain Directors have been granted options in respect of Shares under the Pre-IPO Share Option Schemes described in the section headed “Pre-IPO Share Option Schemes” below. The options granted under the Pre-IPO Share Option Schemes, including the options granted to Directors, are set out in the paragraph headed “Pre-IPO Share Option Schemes” in Appendix V of this prospectus.

2. Particulars of service agreements

Each of Mr. Y.S. Lau, Mr. S.S. Lau and Mr. Man being all the executive Directors, has entered into a service agreement with the Company for an initial term of 2 years commencing from 18th October, 2001 and will continue thereafter until terminated by not less than 3 months' notice in writing served by either party on the other. Each of them is entitled to a basic monthly salary. In addition, each of them is also entitled to a year end fixed bonus in the sum equal to the Director's then one month's salary and a discretionary bonus payable at the discretion of the Board and the Company intends to set a limit of HK\$1,000,000 as a maximum amount payable to each executive Director. None of them is entitled to vote on any resolutions of the Board relating to the basic monthly salary, the discretionary bonus and other benefits and allowances payable to him.

The current basic annual salaries (excluding the fixed bonus) of the executive Directors are as follows:

	<i>HK\$</i>
Mr. Y.S. Lau	456,000
Mr. S.S. Lau	456,000
Mr. Man	456,000
	<hr/>
	1,368,000
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Save as disclosed above, 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).

3. Directors' remuneration

An aggregate of approximately HK\$362,910 was paid in cash to the Directors as remuneration by the Group for the year ended 31st March, 2001.

It is expected that an aggregate sum of approximately HK\$1.36 million will be paid to the Directors as remuneration by the Group for the year ending 31st March, 2002.

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 31st March, 2001 (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.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31st March, 2001.

4. Others

Apart from the executive Directors, 3 other individuals are amongst the persons who receive the highest emoluments from the Group for the year ended 31st March, 2001. Particulars of emoluments paid to such individuals are set out in note(g) to the section headed "Results" in the Accountants' Report set out in Appendix I to this prospectus.

5. Agency fees or commissions received

The Underwriter will receive an underwriting commission and the Sponsor will receive a documentation fee as mentioned in the section headed “Commission and expenses” under the section headed “Underwriting” of this prospectus.

6. 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) under the section headed “Results” of the Accountants’ Report set out in Appendix I to this prospectus and the paragraph headed “Summary of material contracts” in this Appendix.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executives has for the purposes of section 28 of the SDI Ordinance, nor is any of them taken to or deemed to have under section 31 of, or Part 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 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 such securities are listed on the Stock Exchange;
- (b) none of the Directors nor any of the persons whose names are listed in the subparagraph headed “Consent of experts” under the section headed “Other information” in this Appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consent of experts” under the section headed “Other information” in this prospectus 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 “Consent of experts” under the section headed “Other information” in this prospectus 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 into or has proposed to enter into any service agreements with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

- (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 or allotted on the basis of the Placing or related transactions as mentioned in this prospectus.

D. SHARE OPTION SCHEME

1. Summary of the principal terms of the Share Option Scheme

(a) *Purpose of the Scheme*

The purpose of the Share Option Scheme is to advance the interests of the Company and its Shareholders by enabling the Company to grant options to attract, retain and reward all the Directors (whether executive or non-executive and whether independent or not), the employees (whether full-time or part-time), any consultants or advisers of or to any company in the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid (“Eligible Persons”)) and any other persons who, in the absolute opinion of the Board, have contributed to the Group and to provide to the Eligible Persons a performance incentive for continued and improved service with the Group and by enhancing such persons’ contribution to increase profits by encouraging capital accumulation and share ownership.

(b) *Who may join*

The Directors may at their discretion, invite any Eligible Persons to take up options to subscribe for Shares at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company as consideration for the grant.

(c) *Grant of Options*

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 Chapter 16 of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting as such date is first notified to the Stock Exchange in accordance with Rule 17.48 of the GEM Listing Rules for the approval of the Company’s annual results, interim results or quarterly results; and (ii) the deadline for the Company to publish announcement of its annual results, interim results or quarterly results under Rule 18.49 or Rule 18.53 of the GEM Listing Rules, and ending on the date of the results announcement, no option should be granted until such information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(d) *Price of Shares*

The subscription price for Shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion may determine save that such price shall not be less than the higher of (i) the closing price per Share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per Share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option. For the purpose of calculating the subscription price where the Company has been listed for less than 5 business days, the Issue Price shall be used as the closing price for any business day falling within the period before listing of the Shares on GEM.

(e) *Maximum number of Shares*

- (i) the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.
- (ii) subject to paragraph (i) above, the Company may grant options of up to 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme ("Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the 10% limit;
- (iii) the Company may renew the Scheme Mandate Limit at any time subject to the approval of the Shareholders. However, the Scheme Mandate Limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the renewed limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". The Company must send a circular to its Shareholders containing information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules;
- (iv) Subject to paragraph (i) above, the Company may also seek separate approval by its Shareholders for granting options beyond the Scheme Mandate Limit to Eligible Persons specifically identified by the Company before such approval is sought. A circular must be sent to the Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the options to be granted, the purpose of granting options to the identified Eligible Persons and how those options serve such purpose;

- (v) The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of the Company from time to time. Any further grant of options in excess of the limit must be subject to Shareholders' approval with such participant and his associates abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of the participant, the number and terms of the options granted and to be granted (and options previously granted to such participant), the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules. The number and terms of options to be granted to such participant must be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under Note(1) to Rule 23.03(9) of the GEM Listing Rules.
- (f) *Grant of options to connected persons, independent non-executive directors or substantial shareholders or any of their respective associates*
- (i) the grant of options to a connected person (as defined in the GEM Listing Rules) or any of their associates, shall be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee of the options);
- (ii) where any grant of options to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares then in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the prior approval of the Shareholders taken on a poll. The Company must send a circular to the Shareholders. All connected persons must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his intention to do so has been stated in the circular;
- (iii) Shareholders' approval as described above is also required for any change in the terms of options granted to a participant who is a substantial Shareholder, an independent non-executive Director or their respective associates;

- (iv) The Shareholders' circular referred to in sub-paragraph (ii) above must contain the following:
- (a) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Person, which must be fixed before the Shareholders' meeting approving such further grant, and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under Note (1) to Rule 23.03(9) of the GEM Listing Rules;
 - (b) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee of the option) to the independent Shareholders as to voting; and
 - (c) the information required under Rules 23.02(2)(c) and (d) of the GEM Listing Rules, and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(g) Time of exercise of option

The period within which the Shares must be taken up under the option must not be more than 10 years from the date of grant of the option.

(h) Minimum period of exercise of option

There is no minimum period for which the option must be held before it can be exercised.

(i) Performance targets of exercise of option

The Board may in its absolute discretion set such performance targets to be achieved by any of the Eligible Persons before an option can be exercised (on a case by case basis) as it thinks fit.

(j) Rights are personal to grantee

An option may not be transferred or assigned and will be personal to the grantee of the option.

(k) Lapse of option

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

- (i) the expiry of the relevant option period;

- (ii) the expiry of any of the following periods:
- (1) if the grantee ceases to be an employee or a consultant or an adviser (as the case may be) by reason:
 - (a) other than his or her death or the termination of his or her (i) employment or (ii) appointment as a consultant or adviser of or to the Company or any Company in the Group on one or more of the grounds specified in paragraph (c) or (d) (as the case may be) below; or
 - (b) in the case of an employee, of his or her death and none of the events which would be ground for termination of his or her appointment under paragraph (c) below arises; or
 - (c) in the case of an employee, of the termination of his or her employment on any one or more of the grounds that he or she has been guilty of misconduct, or has become otherwise insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the employee's service contract with the Company or the relevant subsidiary;
 - (d) in the case of a consultant or adviser of or to any company in the Group, of the termination of his or her relationship (whether by appointment or otherwise) with the Company or any company in the Group as a consultant or adviser on any one or more of the grounds that he or she has become unable to pay his or her debts (within the meaning of section 6A of the Bankruptcy Ordinance) or has become otherwise insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) has committed any act which is prejudicial to or not in the interests of the Company or any company in the Group;

Then the employee's, the consultant's or the adviser's (as the case may be) outstanding options shall lapse automatically on the earliest of:

- (1) in the case of (a) above, on the date which is 3 months from the date of employee's cessation of employment or the date of termination of the consultant or adviser's relationship with the Company or any company in the Group (as the case may be);

- (2) in the case of (b) above, on the date 12 months after the date of the employee's death (or such longer period as the Board may determine);
 - (3) in the case of (c) above, on the date of employee's or consultant's or adviser's cessation of employment or termination of the consultant or adviser's relationship with the Company or any company in the Group (as the case may be);
- (iii) the expiry of any of the periods referred to in paragraphs (m), (n) and (o) below;
 - (iv) the date on which the grantee has committed any breach of the provisions of the Share Option Scheme by assigning, selling, transferring, charging, mortgaging or encumbering or creating any interest (legal or beneficiary) in favour of any third party over or in relation to any option.

(l) Effect of alterations to capital

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable whether by way of capitalisation of profits or reserves, rights issues, consolidation, subdivision or reduction in 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), such corresponding alterations (if any) certified by the auditors for the time being of the Company as fair and reasonable will be made in:—

- (a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or
- (b) the subscription price; and/or
- (c) the method of exercise of the option,

provided that any alteration shall be made 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 was entitled before such alteration, but so that no alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value.

(m) Rights on a take-over

If a general offer (whether by take-over offer or scheme of arrangement or otherwise in like manner) is made to all holders of Shares (or all such holders other than the offeror and/or the person controlled by the offeror and/or any persons acting in concert with the offeror) and such offer becomes or is declared unconditional, the grantee (or his or her personal representative(s)) shall be entitled to 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.

(n) *Rights on a compromise or arrangement*

In the event of a compromise or amalgamation between the Company and its members or creditors being proposed in connection with any scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the grantee (or his or her personal representatives) may by notice in writing to the Company accompanied by the remittance for the subscription price in respect of the relevant option (such notice to be received by the Company not later than two business days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed meeting, allot and issue such number of Shares, fully paid, to the grantee which falls to be issued on such exercise and register the grantee as holder thereof.

(o) *Rights on winding up*

If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, every option shall be exercisable in whole or in part at any time not later than 2 business days immediately prior to the proposed general meeting.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of options 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 at the date of allotment and will entitle holders to participate in dividends or other distributions declared 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 with respect to a record date which shall be 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 any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(q) *Cancellation of unexercised options*

Any cancellation of options granted but not exercised must be approved by the Board.

New options may be issued to an option holder in place of his cancelled options only if there are available unissued options (excluding the cancelled options) within the overall limit on the maximum number of options that can be granted by the Company from time to time.

(r) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years from the date of adoption of such scheme, or unless terminated earlier by resolution of the Board or by Shareholders' resolution in general meeting, and in such event no further options will be made but in all other respects the provisions of the Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

(s) *Alteration to the Share Option Scheme*

The Board may from time to time at its absolute discretion waive or amend any terms of the Share Option Scheme, including without limitation provisions on resolution of disputes, alteration of the Share Option Scheme other than to the advantage of participants, termination of the Share Option Scheme, cancellation of options and service of notices except that the Board may not amend the following provisions without the prior sanction of the Company in general meeting with the Eligible Persons and their associates abstaining from voting):—

- (i) any of the provisions relating to the matters contained in Rule 23.03 of the GEM Listing Rules to the advantage of participants;
- (ii) any terms and conditions of the Share Option Scheme which are of a material nature or any terms of the options granted except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) any provisions on the authority of the Board in relation to any alteration to the terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(t) *Termination of the Share Option Scheme*

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further grant of options will be made but in all other respects the provisions of the Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

2. Conditions of the Share Option Scheme

The Share Option Scheme is conditional on (i) the GEM Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in any Shares which may be issued pursuant to the exercise of options; and (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

3. Present status of the Share Option Scheme

Application has been made to the GEM Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of options under the Share Option Scheme and 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. As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. PRE-IPO SHARE OPTION SCHEMES

The purpose of each of the Pre-IPO Share Option Scheme A and the Pre-IPO Share Option Scheme B is to recognise the contribution of certain directors and senior management staff of the Group to the growth of the Group and/or to the listing of Shares on GEM.

1. Pre-IPO Share Option Scheme A

The principal terms of the pre-IPO share option scheme A (“Pre-IPO Share Option Scheme A”), conditionally approved by written resolutions of the shareholders of the Company dated 12th October, 2001 (which is subject to the same conditions as referred to in paragraph 2 of the paragraph headed “Conditions of the Share Option Scheme” above), are substantially the same as the terms of the Share Option Scheme described under paragraph (1) of the paragraph headed “Summary of the terms of the Share Option Scheme” above except that:–

- (a) the subscription price for Shares is HK\$0.01 representing a discount of approximately 95.0% (based on an Issue Price of HK\$0.20) or approximately 95.5% (based on an Issue Price of HK\$0.22) to the Issue Price. As with the Share Option Scheme, upon acceptance of an option under the Pre-IPO Share Option Scheme A, the grantee must pay HK\$1.00 to the Company by way of consideration for the grant;
- (b) the total number of Shares subject to the Pre-IPO Share Option Scheme A is 15,600,000 representing 2.6% of the total issued share capital of the Company immediately following completion of the Placing (but excluding the exercise of options granted under the Pre-IPO Share Option Schemes and the Share Option Scheme and the issue of Shares upon any exercise of the Over-allotment Option);
- (c) save for the options which have been granted under the Pre-IPO Share Option Scheme A (details of which are set out in the section headed “Outstanding options under the Pre-IPO Share Option Schemes” in this Appendix), no further options will be offered or granted under the Pre-IPO Share Option Scheme A, as the right to do so will terminate upon the listing of the Shares on GEM;
- (d) the persons qualified under the scheme to accept options include executive Directors and senior management staff of the Group; and
- (e) the Pre-IPO Share Option Scheme A shall be administered by the Board.

2. Pre-IPO Share Option Scheme B

The principal terms of the Pre-IPO share option scheme B (“Pre-IPO Share Option Scheme B”), conditionally approved by written resolutions of the shareholders of the Company dated 12th October, 2001 (which is subject to the same conditions as referred to in paragraph 1 above), are substantially the same as the terms of the Pre-IPO Share Option Scheme A except that:–

- (a) the subscription price for Shares is HK\$0.08 per Share (based on an Issue Price of HK\$0.20) or HK\$0.088 per Share (based on an Issue Price of HK\$0.22) representing a discount of 60% to the Issue Price. As with the Share Option Scheme, upon acceptance of an option under the Pre-IPO Share Option Scheme B, the grantee must pay HK\$1.00 to the Company by way of consideration for the grant;
- (b) the total number of Shares subject to the Pre-IPO Share Option Scheme B is 16,240,000 representing approximately 2.7% of the total issued share capital of the Company immediately following completion of the Placing (but excluding the exercise of options granted under the Pre-IPO Share Option Schemes and the Share Option Scheme and the issue of Shares upon any exercise of the Over-allotment Option);
- (c) save for the options which have been granted under the Pre-IPO Share Option Scheme B (details of which are set out in the section headed “Outstanding options under the Pre-IPO Share Option Schemes” in this Appendix), no further options will be offered or granted under the Pre-IPO Share Option Scheme B, as the right to do so will terminate upon the listing of the Shares on GEM; and
- (d) the persons qualified under the scheme to accept options are Mr. Lau Sik Suen, Mr. Liu Yun, Mr. Cheng Yurong and Mr. Li Ye.

3. Outstanding options under the Pre-IPO Share Option Schemes

As at the date of this prospectus, options to subscribe for an aggregate of 31,840,000 Shares (representing 5.3% of the total issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue or 5% of the enlarged issued share capital of the Company assuming all outstanding options are exercised in full) have been conditionally granted by the Company under the Pre-IPO Share Option Schemes. All of these options have a duration of 10 years from the date on which dealings in the Shares commence on GEM.

Particulars of the grantees who have been granted options under the Pre-IPO Share Option Scheme A and the Pre-IPO Share Option Scheme B are set out below.

Pre-IPO Share Option Scheme A

Name of grantee	Address	Number of underlying Shares	Exercise price HK\$
Executive Directors			
Mr. Lau Sik Suen	Flat 1, 8th Floor, Block C Elegant Tower, Shatin Plaza Shatin, New Territories Hong Kong	4,200,000	0.01
Mr. Man Wing Pong	22D, Dawning Views Fanling, New Territories Hong Kong	1,800,000	0.01
Chief Technical and Operation Officer			
Mr. Liu Yun	Room 1806, Unit B, No. 1240 Yu Yuan Road Shanghai, the PRC	6,600,000	0.01
Vice President			
Mr. Au Wai Keung	Flat C, 2nd Floor Tower 6, Park Royale Yuen Long, New Territories Hong Kong	3,000,000	0.01
		Total	<u>15,600,000</u>

Pre-IPO Share Option Scheme B

Name of grantee	Address	Number of Underlying Shares	Exercise price	
			Based on an Issue Price of HK\$0.20 HK\$	Based on an Issue Price of HK\$0.22 HK\$
Employees				
Mr. Lau Sik Suen	Flat 1, 8th Floor, Block C Elegant Tower, Shatin Plaza Shatin, New Territories Hong Kong	7,840,000	0.08	0.088
Mr. Liu Yun	Room 1806, Unit B, No. 1240 Yu Yuan Road Shanghai, the PRC	6,600,000	0.08	0.088
Consultants				
Professor Cheng Yurong (Note 1)	Apartment 13-2-302 Southwest Tsinghua University Beijing The PRC	1,200,000	0.08	0.088
Mr. Li Ye (Note 2)	Room 1215, No. 8 Fuxin Meng Wai Da Jie Beijing The PRC	600,000	0.08	0.088
		Total		
			<u>16,240,000</u>	
Grand total under the Pre-IPO Share Option Schemes			<u><u>31,840,000</u></u>	

Notes:

1. The Group has engaged Professor Cheng Yurong from 1st November, 2000 to 31st October, 2002, subject to renewal, to advise the Group on market conditions and technical aspects of IT systems security and logistics solutions.
2. The Group has engaged Mr. Li Ye from 23rd March, 2001 to 22nd March, 2002, subject to renewal, to advise the Group on market trend changes and policy development relating to the online payment industry.

None of these options may be exercised under the terms of the relevant Pre-IPO Share Option Scheme during the first 6 months after the Listing Date.

Application has been made to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares which may be issued pursuant to the exercise of options granted under each of the Pre-IPO Share Option Schemes.

F. OTHER INFORMATION**1. Estate duty and tax indemnity**

UEG, Mr. Y. S. Lau, Mrs. Lau, Mr. S. S. Lau and Mr. Man have, pursuant to a deed of indemnity (material contract (p) referred to in the subsection headed “Summary of material contracts” under the section “Further information about the business” in this Appendix), given indemnities in connection with (i) any liability for estate duty under section 35 of the Estate Duty Ordinance (Chapter 11 of the Laws of Hong Kong) or legislation similar thereto in any other part of the world which might be payable by any member of the Group by reason of any transfer of property to any member of the Group on or before the date on which the Placing becomes unconditional and (ii) any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Placing becomes unconditional. The aforesaid indemnities do not cover any such taxation which arises due to any retrospective change in law coming into force, or increase in tax rates with retrospective effect, after the date on which the Placing becomes unconditional.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands, the PRC or the British Virgin Islands, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

2. 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.

3. Sponsor

The Sponsor has 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.

4. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$2,250 (equivalent to approximately HK\$17,550) and are payable by the Company.

5. Promoter

The promoter of the Company is Mr. Y. S. Lau.

6. Qualification of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in, or referred to in this prospectus.

Name	Qualification
Vickers Ballas	Registered investment adviser
PKF	Certified public accountants, Hong Kong
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
Greater China Appraisal Limited	Property valuers
Pu Dong Law Office	PRC legal advisers

7. Consents of experts

Each of Vickers Ballas, PKF, Conyers Dill & Pearman, Cayman, Greater China Appraisal Limited and Pu Dong Law Office has given and 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.

8. 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.

9. 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 or 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 (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or processing or agreeing to procure subscriptions, for any shares in or debentures of the Company, and no commissions, no 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 Vickers Ballas, PKF, Conyers Dill & Pearman, Cayman, Greater China Appraisal Limited and Pu Dong Law Office:–
 - (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 securities of any company within the Group is presently listed or proposed to be listed on any stock exchange or traded on any trading system.
- (d) There has been no interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the twenty four months preceding the date of this prospectus.
- (e) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.