

SIT, FUNG, KWONG & SHUM, SOLICITORS

Latest Practice Development

Founded in 1981 in Hong Kong, our firm now has nearly 100 staff members and has become a locally and internationally renowned law firm after development for years. Many of our clients are multinational companies which are listed in the *Fortune 500*. Since establishment, our objective is to make every endeavour to serve our clients and to provide them with high quality and highly-efficient legal services sincerely. No matter our clients are multinational companies, SMEs or individuals, our lawyers still give our clients detailed analysis on the legal problems encountered by them to let our clients understand their rights and obligations. Provided that the lawful rights and interests of our clients are protected and maintained, we provide best possible solutions to our clients.

From the mid 80s, we have commenced the development of legal practice in relation to Mainland China. As the business transactions between Mainland China and Hong Kong are increasingly intense, there are more and more companies and individuals in Mainland China retaining us in handling the legal issues in Hong Kong and outside China. We have provided legal services to the PRC clients in respect of its investments in Hong Kong, listing and to deal with the disputes over trade. We have substantial experience in acting for the PRC clients. For better serving the clients in the Mainland, we have established a PRC Practice team and we have specially employed PRC lawyers who have practised in PRC for years to work in our firm.

Upon the approval granted by the Ministry of Justice of the PRC, we have established our representative office in Xi'an City, Shaanxi Province on 22nd July 2002, the very first foreign law office in the north-western part of China and the only law office there to be owned and managed by Hong Kong people. Our representative office advises our PRC clients on Hong Kong laws, international treaties and international practice. Since establishment, our Xi'an representative office has assisted the PRC clients in handling its legal matters involving



The Opening ceremony and business synopsis presentation of our Xi'an representative office

Hong Kong, including representing a PRC client in its application for listing on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), assisting a PRC governmental authority in negotiating and entering into an investment contract of US\$250 million, successfully assisting a client in the recognition of a PRC arbitral award by the Hong Kong Court, assisting a client in instituting legal proceedings in Hong Kong, issuing legal opinions on litigations in PRC in relation to legal matters in Hong Kong, conducting company search, search on vessels entering into and departing from a port and attestation for legal documents. Our partners and lawyers were invited by the Department of Justice in Shaanxi Province, Law Society and Hong Kong Trade Development Council to be guest speakers to participate in the “Training Course for Directors and Partners of Law Offices in Partnership in Shaanxi Province” which was held in Shaanxi Province and the “Conference of Economic Cooperation between Gansu Province and Hong Kong” which was held in Gansu Province.

We have entered the 25th anniversary. Last year, we not only continued to have sound development in our traditional practices, but also have developed new areas of practice by keeping pace with the social development. The following is some of our practices that we have participated in recent years:-

1. Corporate and Commercial, Listing and Corporate Finance

Listing

In recent years, our firm is active in assisting companies to raise capital by way of listing. We have assisted Hong Kong and overseas companies and PRC companies in handling their applications for listing on the Main Board or the Growth Enterprise Market (“**GEM**”) of the Hong Kong Stock Exchange. Many of them were successfully listed, whose businesses involve information technology, retail, corporate consultancy, entertainment, health care and beauty services, etc.

In November 2003, we have acted for a sponsor and underwriter for an application for listing on the GEM, in which the company mainly engages in health care and beauty services.

In April 2004, we have successfully assisted Lifestyle International Holdings Limited, a holding company of Sogo Department Store which is a famous department store in Hong Kong, in listing of its shares on Main Board of the Stock Exchange; the company



raised capital of over HK\$1.6 billion, and it is a company which raises a relatively significant amount of proceeds in recent years and whose principal place of business and source of income are in Hong Kong. We acted as the Hong Kong legal advisor of Lifestyle International Holdings Limited. The business of a department store involves business activities in various scopes, including retail and catering etc. The listed group also owns many real estates and intends to develop the department store business in Shanghai, China, which involves a great number of legal matters covering a wide-ranging scope. We have specially set up a team of lawyers from Corporate and Commercial Department, Conveyancing Department, Litigation Department, PRC Practice team and Intellectual Property Department to deal with the listing of Lifestyle International Holdings Limited.

In June 2005, we have successfully assisted the listing of Kenford Group Holdings Limited on the Main Board of the Hong Kong Stock Exchange. Its principal business is the design, manufacture and sale of a wide range of electrical hair care and other small household electrical appliances.

In October 2005, we have successfully assisted Yusei Holdings Limited in its listing on GEM of the Hong Kong Stock Exchange. Its principal business is the design, development and manufacture of precision plastic injection moulds and the production of plastic components.

From 2000 until now, we have handled many applications for listing and some of the companies and their business information are set out as below:

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| Recruit Holdings Limited (formerly known as Panda-Recruit Limited) (listed on the GEM) | - | Recruitment advertising media operator |
| Karl Thomson Holdings Limited (listed on the Main Board) | - | Providing stockbroking, futures, and option broking and securities margin financing services |
| Techwayson Holdings Limited (listed on the GEM from 2001 to January 2003) (listed on the Main Board since January 2003) | - | Comprehensive automation and control solution, hardware and software provider Listed on the Main Board since January 2003 |
| Riverhill Holdings Limited | - | Developing and providing integrated |

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| (listed on the GEM) | - | applications and solutions using GIS, RS and GPS |
| Rainbow International Holdings Limited (listed on the GEM) | - | Engaging in the retail and wholesale of branded beauty products |
| International Capital Network Holdings Limited (listed on the GEM) | - | Providing business development and corporate consultation services |
| WLS Holdings Limited (listed on the GEM) | - | Providing scaffolding for various construction and building works |
| Inworld Group Limited (listed on the GEM) | - | Engaging in the business as a system solutions provider |
| Panorama International Holdings Limited (listed on the GEM) | - | Distributor of home entertainment or video programmes VCD and DVD |
| Teem Foundation Group Ltd. (listed on the Main Board) | - | Engaging in the provision and installation of fire timber door sets, as well as the provision of interior decoration and renovation services |
| United Metals Holdings Limited (listed on the Main Board) | - | Engaging in the manufacture and sale of aluminium and zinc die casting parts |
| Sau San Tong Holdings (Cayman Islands) Limited (listed on the GEM) | - | Engaging in the health and beauty business |
| Lifestyle International Holdings Limited (listed on the Main Board) | - | Engaging in the department store operation |
| Kenford Group Holdings Limited (listed on the Main Board) | - | Engaging in the design, manufacture and sale of a wide range of electrical hair care and health care products and other small household electrical appliances |
| Yusei Holdings Limited (listed on the GEM) | - | Engaging in the design, development and manufacture of precision plastic injection moulds and the production of plastic components |

Corporate and Commercial

- ◆ Direct or indirect investment in the PRC and commercial contracts involving



foreign interests

As the PRC has adopted an open economy policy in recent years, in addition to its successful accession to the World Trade Organization, going northward to the PRC for development has become a common practice in Hong Kong. One of the major channels for foreign enterprises' development in the PRC is to establish joint ventures with the partners in PRC. We often handle projects in which Hong Kong companies (including listed companies) establish joint ventures with domestic companies in PRC.

For direct investment, we often provide professional advice to Hong Kong investors on the legal matters involved in their investments in the Mainland such as representing clients in negotiating and drawing up technical services contracts and management contracts of hotels.

◆ Mergers and acquisitions in Hong Kong and the PRC

There is an increasing growth in the economic exchange and activities between the PRC and Hong Kong. However, since the legal system of the two places is different, businessmen in the PRC and Hong Kong usually encounter with lots of legal problems when carrying out commercial activities. If the transactions involve listed companies of the two places, the problems become more complicated as the related listed companies also have to comply with the regulations set out by the regulatory bodies in the course of transaction. We have also acted for a Hong Kong listed company to acquire a hotel in Yunnan Province for a consideration exceeding HK\$300 million which was paid partly by cash and partly by convertible note by the purchaser. Recently, we also acted for a Hong Kong listed company in its acquisition from its major shareholder of an investment of a composite development project along the boundaries between the PRC and Russia. The project involved the development and construction of a hotel, entertainment, exhibition and recreational facilities. The value of purchase of the project was approximately HK\$500 million which was paid partly by convertible note and partly by promissory note by the purchaser.

All the aforesaid transactions involved the laws of the PRC and Hong Kong, Hong Kong Listing Rules and laws and regulations of various provinces and cities in the PRC. In the course of handling the projects, we worked closely with the PRC lawyers to discuss the issues of the enterprise in respect of its legality of incorporation and existence, business, labour, insurance, finance, intellectual property rights and real properties. Finally, the acquisition projects completed smoothly.

- ◆ Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

After Mainland and Hong Kong entered into the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) in June 2003, the superiority of Hong Kong for being the base of accession to the China market became more apparent. Business transactions between Mainland enterprises and Hong Kong enterprises will surely be getting more frequent. Some of our lawyers are appointed to be China-appointed attesting officers (“CAAO”) by the Ministry of Justice, PRC. They are well-experienced in handling the business activities in China and Hong Kong, and thus they surely are able to assist the clients in both places to deal with various types of legal matters.

- ◆ Local mergers, acquisitions and injection of capital

Apart from cross-border merger and acquisition, we have handled many large-scale local merger and acquisition projects. For instance, we acted for the acquirer to deal with the acquisition of Hong Kong Sogo Department Store and the transactions of the related properties. The amount involved in this transaction exceeded HK\$3 billion. Numerous complicated legal matters on commercial and real estate across countries were required to be solved in the course of acquisition. We thus specially set up a team of lawyers to handle this project and each of the major areas was handled by experienced lawyers who assisted our clients to complete the transaction smoothly.

- ◆ Corporation privatisation and reorganisation etc.

Our lawyers are well-experienced in handling commercial matters of listed companies, including privatisation, reorganization, connected transactions and other commercial activities such as debt restructuring. In 2004, we completed debt restructuring arrangements for a Hong Kong listed company. In the project, we acted for the investor who injected a new sum of capital into the listed company; this involved complicated legal matters including the Company Law, Bankruptcy Law, Listing Rules, Takeovers Code etc. As the lawyers of our Corporate and Commercial Department have substantial experience in handling large-scale business projects, we handled these complicated legal matters for clients effectively.

2. Intellectual Properties

The knowledge-based economy is a pillar of the commercial world in the 21st century and the protection of intellectual property rights plays an essential part in the New Economy. The intellectual property rights of the enterprises in China should not only be protected in the PRC, but should also be effectively protected in the significant markets and production origins all over the world. This allows them to gain the legitimate dominant position in the market and avoid suffering from unnecessary harm and loss due to the lack of legal protection.

We have a prominent intellectual property practice offering a package of integrated intellectual property services from initial strategic advice, drafting, filing of applications for invention patent, design patent, copyright, trademark, plant variety rights registration all over the world, enforcement of these rights and related prosecution and commercial exploitation (including licence and technology transfer).

Our Senior Partner, Mr. C. K. Kwong, is the Deputy Chairman of the Copyright Tribunal (a quasi judicial body established under the Copyright Ordinance to adjudicate on disputes arising from copyright royalties of related licensed copyright bodies), Vice-President of the Asian Patent Attorney's Association and a member of the Intellectual Property Committee of the Hong Kong Law Society.

Our firm is responsible for filing Hong Kong's first Registered Design, Standard Patent and Short Term Patent under the new intellectual property regime which came into force on 27th June 1997. We filed for and obtained the registration of Hong Kong's first grant of Plant Variety Rights Registration. In June 2004, we successfully obtained the first See vs. Scott Paine Order (order on an applicant for revoking a patent to pay for the huge amount of legal costs) for a client who is a proprietor of a patent.

Our firm drafted patent specifications and commercial strategies for many successful inventions which brought tremendous commercial success to our clients, assisting them to achieve leading positions in their fields.

We act for a number of large-scale multinational pharmaceutical, tobacco, electronics and chemical companies listed in the *Fortune 500* based in America, Japan, Netherlands, Switzerland and France. We also act for many top intellectual property law firms, trade mark and patent agents in America and Europe in handling legal matters in relation to intellectual property. According to a number of authoritative



international intellectual property periodicals, our firm has been ranked a leading position in the charts for Hong Kong's patent, trademark and copyright practice.



Our senior partner, Mr. C.K. Kwong, spoke on an intellectual property conference.

Our lawyers often speak on “Intellectual Property” seminar in Mainland which has introduced the intellectual property system in Hong Kong and Mainland systematically in order to enhance the understanding of the Mainland's profession on the intellectual property system.

In the course of over 20-year practice, we have established an extensive and effective network of leading professionals worldwide giving our client's the best value and quality services in the protection of their intellectual property rights.

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Litigation

◆ Commercial disputes between the enterprises in the PRC and Hong Kong

The increasingly frequent economic activities between the PRC and Hong Kong have given rise to the corresponding increase of the commercial disputes between two places. As a result we deal with many cases concerning the legal proceedings and commercial arbitration in the PRC and Hong Kong. We have acted for our clients to obtain positive results on dealing with different kinds of proceedings at different levels of courts and arbitral authorities.

We also acted for clients in handling cases concerning Hong Kong and foreign businessman investing in the PRC, transactions between Hong Kong and the PRC, the issuance of the letter of credit by the PRC banks, debts and fraud etc. We have acted for a Hong Kong listed company in handling a dispute over the labour contract between its branch office in Mainland and employees in Mainland and related arbitration and proceedings in court. By virtue of the extensive experience of our lawyers in the Litigation Department and our understanding of the investment environment in China, we are able to deal with such kind of commercial proceedings properly for our clients.

◆ Court Judgment



Website: <http://www.sfks.com.hk>

The Mainland and Hong Kong authorities have not signed any agreements in respect of the reciprocal enforcement of the judgment by courts in both places. If an application is filed for the enforcement of the judgment by PRC courts in Hong Kong, it is a must to comply with the provisions in the Common Law. We have acted for a client in handling the proceedings in respect of the application for the enforcement in Hong Kong of a final judgment made by the PRC Supreme People's Court.

◆ Arbitral Award

Pursuant to the "Arrangement of the Reciprocal Enforcement of Arbitral Awards between the Mainland and Hong Kong Special Administrative Region" entered into between the Mainland and Hong Kong in June 1999, the arbitral awards made by the Mainland and Hong Kong authorities could be reciprocally enforced in compliance with the conditions required by the Arrangement. We have successfully acted for a PRC client for the recognition by Hong Kong court of an arbitral award which was made by an arbitral authority in PRC.

◆ Dispute over the Jurisdiction

We have acted for a PRC Government Bureau and other clients in commercial litigation involving disputes over the jurisdiction of the PRC court and the Hong Kong court.

◆ Legal opinion

At the request of PRC lawyers, we have issued legal opinions on the proceedings in China which involved legal matters of Hong Kong.

◆ Injunctions/ Anton Piller Order

We have handled numerous cases involving injunctions. We acted for a PRC client to file an application for injunction order with the court. The application involved misappropriation of our client's money by some defendants. We successfully applied for an injunction order for our client to freeze the related defendants' assets within and outside Hong Kong (including bank accounts) and to compel the disclosure of specified information by the defendants. We also assisted the client to retain a British lawyer to apply for a similar injunction order in UK successfully. This kind of injunction prohibits the defendants from transferring their assets and the related information could

be obtained from the defendants.

We have brought proceedings against a former employee of our client alleging that the former employee was in breach of confidentiality, made illegal use of our client's computer software and infringed the client's intellectual property rights in order to manufacture illegally a product sold by our client in the PRC. We have been successfully granted an Injunction Order in this case.

We acted for a group of former insurance agents in a legal action between the agents and the insurance company which involves the obligation of confidentiality, ownership and rights to use the clients' information.

Other than the injunction order, we acted for our clients in various types of action. To protect the intellectual property rights of our clients, we act for our clients to file the application for Anton Pillar and injunction order with the court for the purpose of prohibiting a defendant from misappropriating certain specific information or disclosing such information to the third party.

4. Conveyancing Department

In recent years, the property market in Hong Kong is not as active as it was. However, our Conveyancing Department remains to be retained by Government and private developers to handle large-scale real estate projects, including:-

- ◆ Urban Renewal Authority

Urban Renewal Authority ("URA") is principally engaged in the renewal and the re-development of old areas. We acted for URA to acquire premises and flats in various old areas for the purpose of re-development and to prepare relevant legal documents.

- ◆ Housing Authority

We acted for the Housing Authority ("HA") in handling the Tenant Purchase Scheme (i.e. tenants of public housing estates purchase the flats rented by them), Home Ownership Scheme. The above schemes involve a significant amount of residential flats and legal documents. As our Conveyancing Department are well-experienced in the sale of multiple numbers of property, therefore we are retained by HA to handle the above matters. Furthermore, we have also acted for HA in repurchasing from private

developers the premises constructed by those private developers. The amount involved is over several billions of Hong Kong dollars.

◆ Private Development Project

We acted for large real estate developers in handling the sale of uncompleted flats, including drafting the deed of mutual covenant and management agreement of the buildings, applications for pre-sale consent with the government and mortgage of uncompleted flats, second mortgage and other legal documents in relation to the sale and purchase.

(April 2006)