

PRICE PAYABLE ON SUBSCRIPTION

The Issue Price of HK\$1.0 per Share plus a 1% brokerage, a 0.005% transaction levy and 0.002% investor compensation levy imposed by SFC and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,020.24 for each board lot of 2,000 Shares.

THE NEW ISSUE

The New Issue comprises (i) the Public Offer, being an offer to the public for subscription of 8,000,000 New Shares, payable in full on application; and (ii) the Placing, being a placing of initially 58,300,000 New Shares, in each case at the Issue Price. The 66,300,000 Shares being offered under the New Issue represent 8.5% of the Company's enlarged issued share capital immediately after completion of the New Issue and the Capitalization Issue.

The Public Offer Shares and the Placing Shares are fully underwritten by the Underwriters subject to conditions set forth under "Underwriting Agreement" in the section headed "Underwriting" in this prospectus.

References in this prospectus as to applications, application forms, application money or to the procedure for application relate solely to the Public Offer.

Public Offer

The Public Offer Shares initially offered under the Public Offer, totalling 8,000,000 Shares, will represent approximately 1.0% of the share capital of the Company immediately following completion of the New Issue and Capitalization Issue but before the exercise of the Sotas Option, subject to reallocation as mentioned in this section. The levels of application for the Public Offer Shares will be announced in the The Standard (in English) and the Hong Kong Economic Times (in Chinese) on or before 31st July, 2003.

The Public Offer is open to all members of the public in Hong Kong. The Public Offer will be subject to the conditions stated in the sub-section headed "Conditions of the New Issue" in this section.

The Public Offer is fully underwritten by the Underwriters subject to terms and conditions of the Underwriting Agreement.

Applicants under the Public Offer are required to pay on application the Issue Price, together with brokerage of 1%, SFC transaction levy and investor compensation levy of 0.005% and 0.002% respectively and Stock Exchange trading fee of 0.005% thereon.

The Public Offer Shares will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares. When there is a full or over subscription of Public Offer Shares, allocation of Public Offer Shares will be solely based on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicants, but will otherwise be made on a strictly pro rata basis. However, this may involve balloting, which would mean that some applicants may be allocated more Public Offer Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the balloting may not receive any Public Offer Shares.

Placing

The Company is initially offering 58,300,000 New Shares for subscription at the Issue Price by way of the Placing. The Placing Shares represent approximately 7.5% of the share capital of the Company immediately following completion of the New Issue and Capitalization Issue but before the exercise of the Sotas Option, subject to reallocation as mentioned in this section. The Placing is fully underwritten by the Underwriters subject to terms and conditions of the Underwriting Agreement.

Pursuant to the Placing, the Lead Manager or agents nominated by it, on behalf of the Company, will conditionally place the Placing Shares with investors in Hong Kong. The Placing mainly will target institutional and private investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing Shares are unlikely to be allotted to individual retail investors in Hong Kong, who are expected to subscribe for the Public Offer Shares. Investors purchasing the Placing Shares are also required to pay a brokerage of 1%, a SFC transaction levy of 0.005%, an investor compensation levy of 0.002% and a Stock Exchange trading fee of 0.005% of the Issue Price.

Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the listing of the Shares on the GEM. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Completion of the Placing is conditional on the fulfillment of the conditions stated in the section headed “Conditions of the New Issue” of this prospectus.

REALLOCATION

The Lead Manager may, in its absolute discretion, relocate the number of Shares under the Public Offer and the Placing on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer exceeds 120,000,000 Shares (being 15 times the number of Public Offer Shares initially available for subscription under the Public Offer) but is not more than 400,000,000 Shares, then the number of Shares to be allocated for subscription under the Public Offer from the Placing will be 11,890,000 Shares so that a total of 19,890,000 Shares will be available under the Public Offer, representing 30% of the New Shares available under the New Issue; and
- (b) if the number of Shares validly applied for under the Public Offer exceeds 400,000,000 Shares (being 50 times the number of Public Offer Shares initially available for subscription under the Public Offer) but is not more than 800,000,000 Shares, then the number of Shares to be allocated for subscription under the Public Offer from the Placing will be 18,520,000 Shares so that a total of 26,520,000 Shares will be available under the Public Offer, representing 40% of the New Shares available under the New Issue; and
- (c) if the number of Shares validly applied for under the Public Offer exceeds 800,000,000 Shares (being 100 times the number of Public Offer Shares initially available for subscription under the Public Offer), then the number of Shares to be allocated for subscription under the Public Offer from the Placing will be 25,150,000 Shares so that a total of 33,150,000 Shares will be available under the Public Offer, representing 50% of the New Shares available under the New Issue.

In the event of a reallocation of Shares from the Placing to the Public Offer, the allocations to places under the Placing will be reduced accordingly.

In addition, if the Public Offer Shares are not fully subscribed under the Public Offer, the Lead Manager may, in its absolute discretion, reallocate to the Placing all or any unsubscribed Public Offer Shares in such number as it may consider appropriate to satisfy demand under the Placing.

CONDITIONS OF THE NEW ISSUE

Acceptance of your applications is conditional upon:

(a) Listing

The GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme and/or the Sotas Option or the general mandate to issue Shares referred to in appendix V to this prospectus; and

(b) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sponsor on behalf of the Underwriters) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 9:00 a.m. on the Despatch Date). Details of the Underwriting Agreement, their conditions and grounds for termination, are set out in the section headed “Underwriting” of this prospectus.

If the conditions referred to above are not fulfilled on or before the 30th day from the date of this prospectus, your application money will be returned to you, without interest. The terms on which your application money will be returned to you are set out under the heading “Refund of your money” on the Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving bank or other bank(s) licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Subject to the granting of the listing of, and permission to deal in, the Shares on GEM as well as the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares or such other date as determined by HKSCC.