THE PLACING

The Company is initially offering 240,000,000 new Shares for subscription under the Placing at the Placing Price. Assuming the Over-allotment Option is not exercised, the Placing Shares will represent approximately 30% of the enlarged issued share capital of the Company immediately following completion of the Placing. The Placing Shares are fully underwritten by the Placing Underwriters.

The Placing Shares are to be placed with selected professional, institutional and private investors. Professional, institutional and private investors generally include brokers, dealers and fund managers, whose ordinary course of business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares 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, or hold or sell its Shares, after the listing of the Shares on GEM. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which will lead to the establishment of a broad shareholder base to the benefit of the Company and the Shareholders as a whole.

PRICE PAYABLE UNDER THE PLACING

The Placing Price is HK$0.45 per Share plus 1% brokerage, a 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee. The cost for every board lot of 5,000 Shares is HK$2,272.77.

CONDITIONS OF THE PLACING

Acceptance of all applications for, and the allotment and issue of, Placing Shares under the Placing is conditional upon:

1. **Listing**

   The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including Shares to be issued under the Capitalisation Issue, pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

2. **Underwriting agreement**

   The obligations of the Underwriters under the Underwriting Agreement becoming unconditional, and not being terminated in accordance with the terms of the Underwriting Agreement (details of the Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed "Underwriting" of this prospectus), in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date following 30 days after the date of this prospectus.

If these conditions are not fulfilled or, where applicable, waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by the Company on the GEM website on the next day following such lapse.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, newly issued securities in the secondary market during a specified period of time to delay and, if possible, prevent a decline in the initial public offer price of such securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Placing Price. Stabilisation may only be undertaken pursuant to the Securities and Futures (Price Stabilisation) Rules in circumstances where, *inter alia*, the gross offer proceeds exceed HK$100 million.

Stabilisation is not a practise commonly associated with the distribution of securities in Hong Kong. In Hong Kong, such stabilisation activities are restricted to cases where underwriters genuinely purchase shares in the secondary market solely for the purpose of covering over-allocation in an offering. The relevant provisions of the SFO and the Securities and Futures (Price Stabilising) Rules prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

In connection with this offer, the Lead Manager (or any person acting for it) may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Lead Manager (or any person acting for it) to do this. Such stabilising action, if taken, may be discontinued any time and is required to be brought to an end after a limited period.

Any such stabilisation will be effected in compliance with all applicable laws, rules and regulatory requirements. In addition, there is no obligation on the Lead Manager or any person acting for it to conduct any such stabilising activity which, if commenced, will be done in the absolute discretion of the Lead Manager, and may be discontinued at any time.

In accordance with such stabilisation, the Lead Manager may purchase, or agree to purchase, any of the Shares or offer or attempt to purchase any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares ("Primary Stabilising Action").

The Lead Manager, in connection with the foregoing actions, may undertake any of the following matters: (i) for the purposes of preventing or minimizing any reduction in the market price of the relevant securities, (a) allocate a greater number of the Placing Shares then the number initially offered; or (b) sell or agree to sell Placing Shares so as to establish a short position in them; (ii) pursuant to an option or other right to purchase or subscribe for Placing Shares, purchase or subscribe for or agree to purchase or subscribe for Placing Shares in order to close out any position established under (i); (iii) sell, or agree to sell any Placing Shares acquired by the Lead Manager in the course of the Primary Stabilising Action in order to liquidate any position that has been established by such action; or (iv) offer or attempt to do anything described in (i)(b), (ii) or (iii) above.

Investors should note that:

(i) the Lead Manager may, in connection with the above stabilising action, maintain a long position in the Placing Shares;

(ii) there is no certainty regarding the extent to which and the time period for which the Lead Manager will maintain such a position;

(iii) on any liquidation of such long position by the Lead Manager, the then market price of the Placing Shares may be adversely effected;

(iv) any stabilising action taken by the Lead Manager to support the price of the Placing Shares may not be taken for longer than the period commencing on the earlier of the date on which the Company receives any of the proceeds of the Placing or the trading of the Shares after the issue of this prospectus, and ending on the 30th day after the commencement of trading of the Placing Shares on GEM. Any stabilising action is expected to expire on 24th December, 2003 and, following such date, when no further stabilising action may be taken, demand for the Placing Shares and, therefore, their price, could fall;

(v) investors should be aware that the price of the Placing Shares cannot be assured to stay at or above their Placing Price by the taking of any stabilising action by the Lead Manager; and

(vi) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Placing Price, which means the stabilising bids may be made or transactions effected at a price below the price investors have paid for Placing Shares.

OVER-ALLOTMENT OPTION

Under the Underwriting Agreement, the Company has granted to the Lead Manager the right, but not the obligation, to exercise the Over-allotment Option.

The Over-allotment Option is exercisable by the Lead Manager at any time at or before 5:00 p.m. on the date which is 30 days after the date of this prospectus for the sole purpose of covering over-allocations in the Placing. Pursuant to the Over-allotment Option, the Company may be required to allot and issue at the Placing Price up to an aggregate of 36,000,000 additional new Shares, representing 15% of the Shares initially available under the Placing, solely to facilitate and cover over-allocations in the Placing, if any.

In connection with the Placing, the Lead Manager may, at its option, also cover any over-allocation by, amongst other things, purchases of Shares in the secondary market, or by a combination of purchases in the secondary market and exercise of the Over-allotment Option. Any such secondary market purchases will be made at prices not higher than the issue price of the Placing Shares and in compliance with all applicable laws, rules and regulations. The maximum number of Shares that may be over-allocated in the Placing may not exceed the number of Shares that may be issued and allotted under the Over-allotment Option.

If the Over-allotment Option is exercised in full, the total Placing Shares will represent approximately 33.0% of the enlarged issued share capital of the Company immediately after completion of the Placing, the Capitalisation Issue and the exercise of the Over-allotment Option, taking no account of (i) any Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme; and (ii) any Shares which may be allotted and issued by the Company pursuant to the general mandate referred to in Appendix V to this prospectus. In the event that the Over-allotment Option is exercised, an announcement will be made on the GEM website.

STOCK BORROWING

In order to facilitate settlement of over-allocations in connection with the Placing, the stock borrowing agreement has also been entered into between Mr. Judianto and the Lead Manager. Pursuant to this agreement, Mr. Judianto has agreed that, if so requested by the Lead Manager, he will lend to the Lead Manager up to 36,000,000 Shares. The main terms of the stock borrowing agreement are set out below:

(i) Shares may be borrowed by the Lead Manager solely for settlement of over-allocations in connection with the Placing;

(ii) the maximum number of Shares which may be borrowed from Mr. Judianto must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option; and

(iii) the same number of Shares borrowed must be returned to Mr. Judianto and deposited with an escrow agent not later than three business days following the earlier of (i) the day on which the Over-allotment Option is exercised in full, and (ii) the last day for the exercise of the Over-allotment Option.

The stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements. No benefits or payments will be made to Mr. Judianto by the Lead Manager in relation to such stock borrowing arrangement.

The Lead Manager may return Shares to Mr. Judianto by, among other means, purchasing Shares in the secondary market, exercise of the Over-allotment Option, or by a combination of purchase in the secondary market and exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.