

STRUCTURE AND CONDITIONS OF THE PLACING

THE PLACING

42,000,000 new Shares are being offered pursuant to the Placing, representing in aggregate 25% of the issued share capital of the Company as enlarged by the Placing and the Capitalisation Issue. The number of Placing Shares may also be increased by an aggregate of 6,300,000 additional new Shares upon exercise in full of the Offer Size Adjustment Option as described below.

The Placing is fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement and the Company and the Lead Manager agreeing the Placing Price. Pursuant to the Placing, it is expected that the Underwriters, on behalf of the Company, will conditionally place the Placing Shares at the Placing Price payable by the investors acquiring the Placing Shares plus a 1% brokerage fee, 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee, each in respect of the Placing Price. The Placing Shares shall be placed with individual and/or selected professional and institutional investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies, high net worth individuals and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

BASIS OF ALLOCATION

Allocation of Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to buy further Shares or hold or sell their Shares after the listing of the Shares on the GEM. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of the Company and its shareholders as a whole.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(1) of the GEM Listing Rules, the Company is required under the GEM Listing Rules to maintain at all times after its listing on GEM a public float of at least 25% of its issued share capital from time to time.

PRICE PAYABLE ON SUBSCRIPTION

The Placing Price will not be more than HK\$0.96 per Share and is expected to be not less than HK\$0.80 per Share. Based on the maximum Placing Price of HK\$0.96, the price payable will be the Placing Price of HK\$0.96 per Placing Share plus a 1% brokerage fee, 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee, each in respect of the Placing price, amounting to a total of HK\$4,848.58 for each board lot of 5,000 Shares which is payable on subscription.

The Underwriters are soliciting from prospective investors indications of interest in acquiring the Placing Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price.

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The Placing Price will be fixed by agreement between the Company and the Lead Manager (for itself and on behalf of the Underwriters) at or before the Price Determination Time. **If the Lead Manager (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Placing Price at or before 5:00 p.m. on 5 October 2005, or such other time and/or date as may be agreed between the Company and the Lead Manager (for itself and on behalf of the Underwriters) but in any event not later than 5:00 p.m. on 7 October 2005, the Placing will not become unconditional and will lapse.**

The Lead Manager (on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Placing Price range below to that as stated in this prospectus at any time prior to the Price Determination Time. If this occurs, notice of reduction of the indicative Placing Price range will be published in the GEM website. The Company will make an announcement on the agreed Placing Price on the GEM website as soon as practicable if the Placing Price could be agreed.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriters the Offer Size Adjustment Option, which is exercisable by the Lead Manager (for itself and on behalf of the other Underwriters) at any time at or before 12:00 noon on 10 October 2005 (i.e. the business day immediately before the date of the announcement of the level of indication of interest in the Placing), to require the Company to allot and issue up to an aggregate of 6,300,000 additional new Shares at the Placing Price, representing 15% of the total number of Shares initially available under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the absolute discretion of the Lead Manager (for itself and on behalf of the other Underwriters).

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Lead Manager (for itself and on behalf of the other Underwriters) to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the listing of the Shares on the Stock Exchange and will not be subject to the Securities and Futures (Price Stabilising) Rules of the Securities and Futures Ordinance. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. In the event that the Offer Size Adjustment Option is exercised in full, the adjusted net tangible asset value per Share will be increased from approximately HK\$0.36 to approximately HK\$0.38, based on the Placing Price of HK\$0.80 per Share (being the lowest point of the indicative Placing Price range) or will be increased from approximately HK\$0.40 to approximately HK\$0.42, based on the Placing Price of HK\$0.96 per Share (being the highest point of the indicative Placing Price range). The effects will therefore not be material.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, amongst other things:

- (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus;
- (ii) the Placing Price having been duly determined at or before the Price Determination Time; and
- (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Lead Manager and not being terminated in accordance with the terms of such agreement or otherwise),

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).

If such conditions have not been fulfilled or validly waived prior to the times and dates specified in the Underwriting Agreement, 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.