

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the New Issue and the Placing. Assuming the Over-allotment Option is not exercised, the total number of Offer Shares under the Share Offer is 200,000,000 Shares. 20,000,000 New Shares, representing 10% of the total number of Offer Shares initially available under the Share Offer, will initially be offered for subscription under the New Issue. 100,000,000 New Shares offered by the Company and 80,000,000 Sale Shares offered by the Vendor, which, in aggregate, represent 90% of the total number of Shares initially available under the Share Offer, will initially be offered for subscription and sale under the Placing.

Investors may apply for Shares under the New Issue or indicate an interests for Shares under the Placing, but may not do both. The New Issue is open to members of the public in Hong Kong as well as to institutional and professional investors. The Placing will involve selective marketing of Shares to professional, institutional and other private investors in Hong Kong. Professional, institutional and other private investors generally include high net worth individuals, brokers, 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.

Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of the enlarged issued share capital of the Company immediately after completion of the Capitalisation Issue and the Share Offer. If the Over-allotment Option is exercised in full, the Offer Shares comprised in the Share Offer will represent approximately 27.7% of the enlarged issued share capital of the Company immediately after the completion of the Capitalisation Issue and the Share Offer and the exercise in full of the Over-allotment Option.

The New Issue is fully underwritten by the New Issue Underwriters and the Placing is fully underwritten by the Placing Underwriters, in each case, on a several basis, and each being subject to the conditions set out in the section headed “Underwriting” in this prospectus.

PRICE PAYABLE ON APPLICATION

The price of the Offer Shares is HK\$0.25 each, plus a brokerage of 1%, the SFC transaction levy of 0.007% and the Stock Exchange trading fee of 0.005%. This means that for every 10,000 Offer Shares, you will pay HK\$2,525.30. Each of the application forms has tables showing the exact amount payable for certain multiples of Offer Shares.

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CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares is conditional upon:

1. Listing

the Listing Committee of the Stock Exchange granting 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, any Shares which may fall to be issued upon the exercise of options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option; and

2. The Underwriting Agreement

the obligations of the Underwriters under the Underwriting Agreement becoming unconditional, and not being terminated in accordance with its terms or otherwise by Emperor Securities, on behalf of the Underwriters, prior to 4:00 a.m. on the day immediately before the date of the listing of the Shares on the Stock Exchange. Details of the Underwriting Agreement, its conditions and grounds for termination are set out in the paragraph headed "Underwriting Agreement" under the section headed "Underwriting" in this prospectus,

in each case, on or before the dates and times specified in the Underwriting Agreement, unless and to the extent that such conditions are validly waived on or before such dates and times, and in any event not later than 30th November, 2002, being the date which is 30 days from the date of this prospectus.

If these conditions are not fulfilled or waived by Emperor Securities, on behalf of the Underwriters, on or before 30th November, 2002, 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 section headed "Refund of your application money" on the application forms.

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

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PREFERENCE TO FULL-TIME EMPLOYEES

Up to 2,000,000 New Issue Shares (being 10% of the New Issue Shares initially being offered under the New Issue) are available for subscription by full-time employees of the Company or its subsidiaries in Hong Kong, excluding the directors or the chief executive of the Group or existing beneficial owners of the Shares and their respective associates, on a preferential basis. In the event that the New Issue Shares available for application by eligible full-time employees of the Group are over-subscribed, the basis of allocation of the New Issue Shares to these employees of the Group will be in accordance with the written guidelines sent to those employees and the terms as stated in Practice Note 20 to the Listing Rules. Such allocation will be on a fair basis in proportion to the number of the New Issue Shares being applied for. No preference will be given to employees of the Group applying for larger numbers of the New Issue Shares.

Applications for more than 2,000,000 New Issue Shares available for subscription by full-time employees of the Group made on valid **PINK** application forms will be rejected. Allocation for the Shares validly applied for will be (i) made on a pro-rata basis in proportion (as nearly as possible without involving portions of a board lot) to the number of Shares applied for; or (ii) balloted if there are insufficient Shares to be pro-rated. If balloting is conducted, some employees may be allocated more Shares than others who have applied for the same number of Shares. The allocation of the Shares will in any event be allocated on an equitable basis and will not be based on seniority or length of service of the employees who have applied for the Shares.

OFFER MECHANISM

The attention of applicants, including nominees who wish to submit separate applications on behalf of different beneficial owners, is drawn to the information regarding multiple applications contained in the section headed “How to apply for the New Issue Shares” in this prospectus. Multiple or suspected multiple applications and any application for more than 100% of the Offer Shares being offered for subscription pursuant to the New Issue will be rejected.

The New Issue is open to the public in Hong Kong. Applicants for the Offer Shares under the New Issue cannot apply for Shares under the Placing. Of the 20,000,000 New Issue Shares being initially offered under the New Issue, 2,000,000 New Issue Shares (representing 10% of the New Issue Shares initially available under the Share Offer) will be available for subscription by full-time employees of the Group on **PINK** application forms on a preferential basis. At least 18,000,000 New Issue Shares (representing 90% of the New Issue Shares initially available under the New Issue) will be available for public subscription on **WHITE** or **YELLOW** application forms.

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Investors may apply for Offer Shares under the New Issue or indicate an interests for Offer Shares under the Placing, but may not do both. Applicants under the New Issue will be required to give an undertaking and confirmation in the application form submitted by them that they and any person(s) for whose benefit they are making the application will not receive any Placing Shares under the Placing and have not indicated and will not indicate an interests for any Placing Shares under the Placing. Their applications will be rejected if the said undertaking and confirmation is breached or untrue, as the case may be. The Company, the Sponsor and Emperor Securities have full discretion to reject or accept any application, or to accept only part of any application.

Allocation of the New Issue Shares, including any New Issue Shares which may be re-allocated from the Placing, will be based solely on the level of valid applications received under the New Issue. When there is over-subscription under the New Issue, the basis of allocation may vary depending on the number of New Issue Shares validly applied for by each applicant. The allocation of the New Issue Shares may involve balloting, which would mean that some applicants may be allotted more New Issue Shares than others who have applied for the same number of the New Issue Shares, and those applicants who are not successful in the ballot may not receive any New Issue Shares.

Allocation of the 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 potential investors are likely to buy further Shares, or hold or sell the Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors who have been allocated any of the Placing Shares under the Placing will not be allotted any New Issue Shares under the New Issue. Similarly, investors who have been allotted any New Issue Shares under the New Issue will not be allocated any Placing Shares under the Placing.

OVER-SUBSCRIPTION

Allocation of New Issue Shares to investors under the New Issue will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of New Issue Shares validly applied for by each applicant, but will otherwise be made on a strictly pro rata basis. However, this may involve balloting, which would mean that some applicants may be allotted more New Issue Shares than others who have applied for the same number of New Issue Shares and that applicants who are not successful in the ballot may not receive any New Issue Shares.

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Re-allocation

The allocation of the Offer Shares between the New Issue and the Placing is subject to adjustment. If the number of Shares validly applied for under the New Issue exceeds the 20,000,000 Shares initially available for subscription under the New Issue, but is less than 15 times the number of Shares initially available for subscription under the New Issue, up to 20,000,000 Shares (representing 10% of the total number of Offer Shares available under the Share Offer, assuming the Over-allotment Option is not exercised) may, at the discretion of Emperor Securities (upon considering the level of acceptance under the New Issue), be re-allocated from the Placing to the New Issue so that the total number of Shares available under the New Issue will not be more than 40,000,000 Shares, but such reallocation will only be made to the extent that investors' demand under the New Issue is sufficient to take up such re-allocated Shares. If the number of Shares validly applied for under the New Issue represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the New Issue, then Shares will be re-allocated to the New Issue from the Placing, so that the total number of Shares available under the New Issue will be 60,000,000 Shares (representing 30% of the total number of the Offer Shares available under the Share Offer, assuming the Over-allotment Option is not exercised). If the number of Shares validly applied for under the New Issue represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the New Issue, then the number of Shares to be re-allocated to the New Issue from the Placing will be increased so that the total number of Shares available under the New Issue will be 80,000,000 Shares (representing 40% of the total number of Offer Shares available under the Share Offer, assuming the Over-allotment Option is not exercised). If the number of Shares validly applied for under the New Issue represents 100 times or more the number of Shares initially available for subscription under the New Issue, then the number of Shares to be re-allocated to the New Issue from the Placing will be increased so that the total number of Shares available under the New Issue will be at least 100,000,000 Shares (representing 50% of the total number of the Offer Shares available under the Share Offer, assuming the Over-allotment Option is not exercised).

UNDER-SUBSCRIPTION

If the New Issue is not fully subscribed, Emperor Securities, on behalf of the Underwriters, has the authority to re-allocate all or any unsubscribed New Issue Shares originally included in the New Issue to the Placing, in such number as it deems appropriate provided that there is sufficient demand under the Placing to take up such re-allocated Shares. If the Placing Shares are not fully subscribed for or purchased, Emperor Securities, on behalf of the Underwriters, has the authority to re-allocate all or any unsubscribed Placing Shares originally included in the Placing (including some or all of the Sale Shares, if applicable) to the New Issue, in such number as it deems appropriate provided that there is sufficient demand under the New Issue to take up such re-allocated Shares. Details of any re-allocation of Shares between the New Issue and the Placing will be disclosed in the results announcement, which is expected to be made on or about 12th November, 2002.

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OVER-ALLOTMENT OPTION

Under the Underwriting Agreement, the Company has granted to Emperor Securities (for itself and on behalf of the Placing Underwriters), the right but not the obligation to exercise the Over-allotment Option exercisable for 30 days from the date of this prospectus. Under the Over-allotment Option, Emperor Securities (for itself and on behalf of the Placing Underwriters) will have the right to require the Company to allot and issue up to 30,000,000 additional Shares, representing 15% of the number of Shares initially available under the Share Offer, solely for the purpose of covering over-allocations in the Placing, if any. These Shares will be issued at the Offer Price. In connection with the Share Offer, Emperor Securities (for itself and on behalf of the Placing Underwriters) may, at its option, also cover any over-allocations by, among other means, the purchase 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 Offer Price and in compliance with all applicable laws, rules and regulations. The maximum number of Shares that may be over-allocated in the Placing shall not exceed the number of Shares that may be allotted and issued under the Over-allotment Option.

If the Over-allotment Option is exercised in full, the Offer Shares comprised in the Share Offer will represent approximately 27.7% of the enlarged issued share capital of the Company immediately after completion of the Capitalisation Issue and the Share Offer and the exercise in full of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in English in The Standard and in Chinese in Hong Kong Economic Times.

In order to facilitate settlement of over-allocations in connection with the Placing, a stock borrowing agreement has been entered into between the Major Shareholder and Emperor Securities. Under the stock borrowing agreement, the Major Shareholder has agreed with Emperor Securities that, if requested by Emperor Securities, the Major Shareholder will, subject to the terms of the stock borrowing agreement make available to Emperor Securities up to 30,000,000 Shares held by it, by way of securities lending, in order to cover over-allocations in connection with the Placing. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with rule 10.07(1) of the Listing Rules, which restricts the disposal of shares by the controlling shareholders, as defined in the Listing Rules, of a company following the new listing of that company, in order to allow the Major Shareholder, which is the controlling shareholder (as defined in the listing Rules) of the Company, to enter into and perform its obligations under the stock borrowing agreement on the conditions that:

- (a) such stock borrowing arrangement with the Major Shareholder will only be effected for settlement of over-allocations in the Placing;
- (b) the maximum number of Shares which may be borrowed from the Major Shareholder by Emperor Securities must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;

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- (c) the same number of Shares borrowed will be returned to the Major Shareholder or the Major Shareholder's nominees, as the case may be, not later than five Business Days following the earlier of (i) the day on which the Over-allotment Option is exercised in full and the relevant Shares have been issued; and (ii) the last day on which Shares may be issued by the Company pursuant to the Over-allotment Option (i.e. 30 days from the date of this prospectus);
- (d) the stock borrowing agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- (e) no payment will be made to the Major Shareholder by Emperor Securities in consideration for the borrowed Shares.

STABILISATION

In connection with the Share Offer, Emperor Securities (for itself and on behalf of the Underwriters) may over-allocate Shares and may cover such over-allocations by means of exercising the Over-allotment Option no later than 30 days after the date of this prospectus, stock borrowing or making open market purchases in the secondary market. The number of Shares over-allocated will not be greater than the number of Shares which may be issued upon the full exercise of the Over-allotment Option, being 30,000,000 Shares, which is 15% of the Shares initially available under the Share Offer.

Emperor Securities may also effect transactions which stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail but which are not higher than the Offer Price. Such stabilisation transactions may be effected in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the distribution of Shares, they will be carried out at the absolute discretion of Emperor Securities.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the Underwriters may bid for or purchase the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer prices of the securities. The stabilisation price to cover over-allocations will not exceed the Offer Price.

Stabilisation is not a practice 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 on the secondary market solely for the purpose of covering over-allocations in an offering. The relevant provisions of the Securities Ordinance, (Chapter 333 of the Laws of Hong Kong) prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

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TRANSFER OF THE SALE SHARES

All transfer of the Sale Shares to placee(s) or their designated person(s) will be effected on the Company's principal register of members maintained by Bank of Bermuda (Cayman) Limited in the Cayman Islands. Completion of acknowledgment form in a placing letter shall constitute an irrevocable instruction by the placee(s) that the registration of all the Sale Shares in respect of which the relevant application is accepted shall be removed from the Company's principal register of members maintained by Bank of Bermuda (Cayman) Limited in the Cayman Islands to the Company's Hong Kong branch register of members maintained by Secretaries Limited.

If the Placing is not fully subscribed, and Emperor Securities, on behalf of the Underwriters, exercises its discretion to re-allocate all or any Sale Shares originally included in the Placing to the New Issue, all transfers of the re-allocated Sale Shares to successful applicants under the New Issue, or their designated person(s), will be effected on the Company's principal register of members in the Cayman Islands.

In the case of applicants under the New Issue applying on **PINK** or **WHITE** application forms, all transfers of Sale Shares to such applicants or, in the case of applicants on **WHITE** application forms their designated person(s), will be effected by way of transfer into the name of those applicants or their designated person(s). Completion of a **WHITE** or a **PINK** application form shall constitute an irrevocable instruction by applicant(s) that the registration of all the Sale Shares in respect of which the relevant application is accepted shall be removed from the Company's principal register of members in the Cayman Islands to the Company's Hong Kong branch register of members prior to the despatch of share certificates to successful applicants or, in the case of applicants on **WHITE** application forms, their designated person(s), under the New Issue.

In the case of applicants under the New Issue applying on **YELLOW** application forms, all transfers of the Sale Shares to HKSCC Nominees Limited will be effected on the Company's principal register of members in the Cayman Islands. Completion of a **YELLOW** application form shall constitute an irrevocable instruction by the applicant(s): (i) to transfer the relevant Sale Shares to HKSCC Nominees Limited; (ii) that the registration of all the Sale Shares in respect of which the relevant application is accepted shall be removed from the Company's principal register of members in the Cayman Islands to the Company's Hong Kong branch register of members prior to the despatch of share certificates to HKSCC Nominees Limited under the New Issue.

Stamp duty (if any) payable in Hong Kong on the transfer of the Sale Shares will be borne by the Vendor.