
STRUCTURE OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

The Offer Price payable by the applicants per Offer Share is HK\$1.23 plus 1% brokerage, a 0.005% Stock Exchange trading fee, a 0.005% SFC transaction levy and a 0.002% investor compensation levy amounting to a total of HK\$2,484.90 for every 2,000 Shares.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Offer Shares 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, the New Shares, any Shares that fall to be issued pursuant to the Capitalisation Issue, upon the exercise of the Over-allotment Option and upon the exercise of the options granted under the Share Option Scheme (up to the general scheme limit imposed under Note 1 to Rule 17.03(3) of the Listing Rules) on or before 10 July 2003; and

2. Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional, and not being terminated, prior to 8:45 a.m. on the date of despatch of share certificates to successful applicants under the Share Offer. Details of the Underwriting Agreement and its conditions and grounds for termination are set out in the section headed “Underwriting” of this prospectus.

If any of the above conditions are not fulfilled or waived on or before the dates and times specified in paragraphs 1 and 2 above, the Share Offer will lapse and the Stock Exchange will be notified immediately, and your application money will be returned to you, without interest. The terms on which your money will be returned to you are set out under the section headed “Refund of your money” on the notes attached to the application forms.

In the meantime, your 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).

THE SHARE OFFER

The Share Offer comprises the Public Offer and the Placing.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Placing Underwriters and the Public Offer Underwriters have severally agreed to underwrite the Placing Shares and the Public Offer Shares, respectively, under the terms of the Underwriting Agreement. Further details of the underwriting and placing arrangements are set out under the section headed “Underwriting” of this prospectus.

STRUCTURE OF THE SHARE OFFER

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest for the Placing Shares under the Placing, but may not do both. Investors may only receive an allocation of Shares under the Placing or the Public Offer but not both.

The Public Offer

The Company is initially offering 9,980,000 new Shares (subject to re-allocation) for subscription by the public in Hong Kong, representing 10% of the Offer Shares initially being offered under the Share Offer at the Offer Price, payable on application, plus 1% brokerage, a 0.005% Stock Exchange trading fee, a 0.005% SFC transaction levy and a 0.002% investor compensation levy.

There will initially be a total of 9,980,000 Public Offer Shares available for subscription under the Public Offer under the **WHITE** and **YELLOW** application forms. For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 4,990,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee, the SFC transaction levy and the investor compensation levy thereon) or less. The Public Offer Shares available in pool B will consist of 4,990,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of more than HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee, the SFC transaction levy and the investor compensation levy) and up to the total initial value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of the Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple or suspected multiple applications and any application made for more than 100 per cent. of the Public Offer Shares initially available under pool A or pool B will be rejected.

The Public Offer is open to all members of the public in Hong Kong and is fully underwritten by the Public Offer Underwriters. Applicants for Shares under the Public Offer cannot apply for Shares under the Placing. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application form submitted by him that he has not taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

STRUCTURE OF THE SHARE OFFER

The Placing

The Company is offering initially 72,820,000 New Shares and the Vendor is offering 17,000,000 Sale Shares, in each case at the Offer Price, under the Placing. The Placing Shares initially available for application represent 90% of the total number of Offer Shares being offered under the Share Offer, subject to the Over-allotment Option and re-allocation. The Placing Shares are fully underwritten by the Placing Underwriters.

Pursuant to the Placing, the Placing Underwriters, on behalf of the Company and the Vendor, will conditionally place the Placing Shares at the Offer Price plus 1% brokerage, a 0.005% Stock Exchange trading fee, a 0.005% SFC transaction levy and a 0.002% investor compensation levy. It is expected that the Placing Underwriters, or selling agents nominated by them, on behalf of the Company and the Vendor, will conditionally place the Placing Shares at the Offer Price 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. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

BASIS OF ALLOCATION OF THE PUBLIC OFFER SHARES AND THE PLACING SHARES

Allocation of the Public Offer Shares (including any Placing Shares which may be reallocated from the Placing) to investors under the Public Offer, both in relation to pool A and pool B, will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary depending on the number of Public Offer Shares validly applied for by each applicant, but will otherwise be made on a strictly pro-rata basis. When there is an over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares and that applications who are not successful in the ballot may not receive any Public Offer 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 relevant investor is likely to acquire further Shares, and/or hold or sell its Shares after the listing of the Shares on the Stock Exchange. 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 professional and institutional 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 allocated any Public Offer Shares under the Public Offer. Similarly, investors who have been allocated any Public Offer Shares under the Public Offer will not be allocated any Placing Shares under the Placing.

The Company, the Directors, the Sponsors, the Lead Manager and the Underwriters will take reasonable steps to identify and reject applications under the Public Offer from applicants who have received Shares under the Placing and applications under the Placing from applicants who have received Shares under the Public Offer.

STRUCTURE OF THE SHARE OFFER

REALLOCATION BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of the Offer Shares between the Public Offer and the Placing is subject to re-allocation.

If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then the number of Placing Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will be 29,940,000 Shares, representing 30% of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then the number of Placing Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will be 39,920,000 Shares, representing 40% of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then the number of Placing Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will be 49,900,000 Shares, representing 50% of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

In all cases, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Placing Shares will be correspondingly reduced.

If the Public Offer is not fully subscribed, the Lead Manager will have the absolute discretion to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportions as it deems appropriate.

OVER-ALLOTMENT OPTION

Pursuant to the Underwriting Agreement, the Company has granted the Over-allotment Option to the Lead Manager exercisable by it at any time during the period commencing from the date of this prospectus and ending at 5:00 p.m. (Hong Kong time) on the 30th day after the date of this prospectus. Pursuant to the Over-allotment Option, the Lead Manager will have the right to require the Company to allot and issue up to 14,970,000 additional Shares, representing 15% of the Offer Shares initially available under the Share Offer, to cover over-allocations in the Placing, if any. The Shares issued under the Over-allotment Option (if any) will be issued at the Offer Price.

If the Over-allotment Option is exercised in full, the additional 14,970,000 Shares will represent approximately 3.76% of the Company's issued share capital immediately after completion of the Capitalisation Issue and the Share Offer as enlarged by the exercise of the Over-allotment Option. If the Over-allotment Option is exercised, a press announcement will be made.

STRUCTURE OF THE SHARE OFFER

STOCK BORROWING ARRANGEMENT

The Stock Borrowing Agreement has been entered into between the Lead Manager and the Vendor for the purpose of facilitating settlement of any over-allocations in connection with the Placing. Pursuant to the Stock Borrowing Agreement, the Vendor has agreed with the Lead Manager that, if so requested by the Lead Manager, the Vendor will make available or procure that there will be made available to the Lead Manager, on a temporary basis and by way of stock lending, up to 14,970,000 Shares, equivalent to the maximum number of Shares to be allotted upon full exercise of the Over-allotment Option, in order to cover over-allocations in connection with the Placing. The lending of securities by the Vendor to the Lead Manager will result in non-compliance by the Vendor with Rule 10.07(a) of the Listing Rules. The Sponsors (for itself and on behalf of the Company and the Vendor) have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.07 of the Listing Rules which restricts the disposal of Shares by the controlling shareholders following the listing of the Shares, in order to allow the Vendor to enter into and perform its obligations under the Stock Borrowing Agreement on the conditions that:

- (i) such stock borrowing pursuant to the Stock Borrowing Agreement will only be effected by the Lead Manager for settlement of over-allocations in the Placing;
- (ii) the maximum number of Shares borrowed from the Vendor will be limited to the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed shall be returned to the Vendor not later than 5:00 p.m. on the third business day following the earlier of (a) the last date on which Shares may be issued by the Company pursuant to the exercise of the Over-allotment Option; or (b) the date on which the Over-allotment Option is exercised in full; and
- (iv) save as aforesaid, Mr. Yang shall and shall procure the relevant registered holder of the relevant Shares to comply with the non-disposal restriction imposed under Rule 10.07 of the Listing Rules.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements. No payments (other than reimbursement of the expenses incurred by the Vendor in compliance with its obligations under the Stock Borrowing Agreement) will be made to the Vendor by the Lead Manager under the Stock Borrowing Agreement.

STABILISATION

In connection with the Share Offer, the Lead Manager (for itself and on behalf of the Underwriters) may over-allocate Shares and/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, including without limitation, over-allocating Placing Shares and covering such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangements from holders of Shares and/or effect transactions in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulatory requirements, to stabilise or maintain the market price of the Shares

STRUCTURE OF THE SHARE OFFER

at the absolute discretion of the Lead Manager at levels other than those which might otherwise prevail in the open market. However, there is no obligation on the Lead Manager to do this. Such stabilisation action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

The possible stabilising actions that the Lead Manager may take in relation to the Share Offer comprise the following:

- (i) purchase or agree to purchase any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares (the “primary stabilising action”);
- (ii) allocate a greater number of Shares than the number that is initially offered under the Share Offer for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (iii) sell or agree to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (iv) pursuant to the Over-allotment Option and/or the Stock Borrowing Agreement, purchase or subscribe for the Shares in order to close out any position established under (ii) and (iii);
- (v) sell or agree to sell the 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
- (vi) an offer or attempt to do anything as described in (i), (iii), (iv) and (v).

Potential investors should be aware of the following:

- (i) the Lead Manager may, in connection with the stabilising action, maintain a long position in the Shares;
- (ii) there is no certainty as to the extent to which and the time period for which the Lead Manager will maintain such a long position;
- (iii) in the case of liquidation of such a long position by the Lead Manager, the market price and liquidity of the Shares may be affected;
- (iv) the stabilisation action cannot be taken to support the price of any relevant securities for longer than the stabilising period which begins on the date of this prospectus and ends on the 30th day after the Listing Date, and the stabilising period is expected to expire on 19 July 2003, and after which, when no further stabilising action may be taken, demand for the Shares and therefore its price, could fall;

STRUCTURE OF THE SHARE OFFER

- (v) the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- (vi) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transaction effected at a price below the price the investor has paid for the Shares.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. Stabilising actions 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.

TRANSFER OF THE SALE SHARES

All transfer of the Sale Shares to the successful applicants or their designated person(s) will be effected on the Company's principal register of members in the Cayman Islands. An indication of interest in the Placing Shares shall constitute an irrevocable instruction by the 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 issue of Share certificates to the successful applicants under the Share Offer or their designated person(s).