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## STRUCTURE OF THE SHARE OFFER

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### OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$3.30 per Offer Share. Based on the maximum Offer Price of HK\$3.30, plus brokerage fee of 1%, the SFC transaction levy of 0.005%, the SFC investor compensation levy of 0.002% and the Stock Exchange trading fee of 0.005%, one board lot of 2,000 H Shares will amount to a total of HK\$6,666.79.

The Offer Price is expected to be determined by the Company and the Lead Manager (on behalf of the Underwriters) on or before Tuesday, 16th December, 2003 (Hong Kong time), or such later date as may be agreed by the Company and the Lead Manager but in any event no later than 9:00 a.m. on Thursday, 18th December, 2003 (Hong Kong time).

If, based on the level of interests expressed by prospective professional and institutional investors during the book-building process, the Lead Manager (on behalf of the Underwriters) and with the consent of the Company, thinks it appropriate (for instance, if the level of interest is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the latest day for lodging applications under the Public Offer. In such case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the latest day for lodging applications under the Public Offer cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction. If applications for Public Offer Shares have been submitted prior to the day which is the latest day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.

If, for any reason, the Offer Price is not agreed between the Company and the Lead Manager (on behalf of the Underwriters) on or before the Price Determination Date (or any agreed postponement thereof), the Share Offer will not proceed and will lapse.

### CONDITIONS OF THE SHARE OFFER

Application for the Share Offer is conditional upon:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares issued and to be issued as mentioned in this prospectus; and
- the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Underwriters) and not being terminated in accordance with the terms of the Underwriting 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) and in any event not later than Saturday, 10th January, 2004, being the 30th day after the date of this prospectus.

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If these conditions are not fulfilled (or, where applicable, waived by the Lead Manager (for itself and on behalf of the Underwriters)) on or before Saturday, 10th January, 2004, all application monies will be returned, without interest, on the terms set out in the section “How to apply for the Public Offer Shares” below.

In the meantime, such monies will be held in a separate bank account with the receiving banker 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 consists of the Placing and the Public Offer. The Offer Shares will comprise 313,470,000 Placing Shares and 34,830,000 Public Offer Shares, representing 27.5% of the Company’s enlarged share capital immediately after completion of the Share Offer respectively (without taking into account exercise of the Over-allotment Option).

The Public Offer Shares will be fully underwritten by the Public Offer Underwriters, while the Placing Shares will be fully underwritten by the Placing Underwriters on an individual basis, subject to the terms and conditions as set out in the paragraph headed “Underwriting Agreement” in the section headed “Underwriting” in this prospectus.

Application, application forms, application monies or application procedures as referred to in this prospectus are only in relation with the Public Offer.

### The Placing

The Company is initially offering 281,806,364 new H Shares for subscription, and the State-owned Shareholders are offering 31,663,636 Sale H Shares for sale, making up the total number of Offer Share under the placing of 313,470,000. The Placing is fully underwritten by the Placing Underwriters, subject to the terms and conditions as set out in the Underwriting Agreement. The State-owned Shareholders are offering the sale of H Shares under the state policy of the reduction of State-owned Shares.

The Placing Shares will be conditionally placed at the Offer Price to professional institutions and other investors expected to have a sizeable demand for the H Shares in Hong Kong by the Placing Underwriters or their specified sale agents.

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

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### Transfer of Sale H Shares

Pursuant to the “Provisional Administrative Measures for the Reduction of State-owned Shares and the Raising of the Social Security Fund (減持國有股籌集社會保障資金暫行辦法)”, the State-owned Shareholders reduced their respective Domestic Shares totalling 31,663,636 Shares, which will be converted into 31,663,636 Sale H Shares. The net proceeds from the sale of 31,663,636 Sale H Shares will be paid to the Social Security Fund.

### The Public Offer

The Company is initially offering 34,830,000 new H Shares, representing 10% of the Offer Shares, for subscription by way of a public offer in the Hong Kong. The Public Offer is fully underwritten by the Public Offer Underwriters, subject to the terms and conditions set out in the Underwriting Agreement.

The total number of H Shares available under the Public Offer (after taking into account any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The H Shares in pool A will be allocated on an equitable basis to applicants who have applied for H Shares with an aggregate subscription price of HK\$5.0 million (excluding brokerage fee, the SFC transaction levy, the SFC investor compensation levy and the Stock Exchange trading fee payable) or less. The H Shares in pool B will be allocated on an equitable basis to applicants who have applied for H Shares with an aggregate subscription price of more than HK\$5.0 million (excluding brokerage fee, the SFC transaction levy, the SFC investor compensation levy and the Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B, as well as applications in the same pool (depending on the number of H Shares applied for), may receive different allocation ratios. If H Shares in one (but not both) of the pools are undersubscribed, the surplus H Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly.

Applicants can only receive an allocation of H Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of H Shares originally allocated to each pool are liable to be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application form submitted by him that he and any person(s) for whose benefit he is making the application have not received any H Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the H Shares between the Placing and the Public Offer is subject to adjustment. If the number of H Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of H Shares initially available for subscription under the Public Offer, then H Shares will be reallocated to the Public Offer from the Placing, so that the total number of H Shares available under the Public Offer will be 104,490,000 H Shares, representing 30% of the H Shares initially available under the Share Offer. If the number of H Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of H Shares initially available for subscription under the Public Offer, then the number of H Shares to be reallocated to the

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Public Offer from the Placing will be increased, so that the total number of H Shares available under the Public Offer will be 139,320,000 H Shares, representing 40% of the H Shares initially available under the Share Offer. If the number of H Shares validly applied for under the Public Offer represents 100 times or more the number of H Shares initially available for subscription under the Public Offer, then the number of H Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of H Shares available under the Public Offer will be 174,150,000 H Shares, representing 50% of the H Shares initially available under the Share Offer. In each such case, the additional H Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of H Shares allocated to the Placing will be correspondingly reduced.

In addition, if the Public Offer is not fully subscribed, the Lead Manager in its discretion may reallocate all or any unsubscribed H Shares originally included in the Public Offer to the Placing.

Allocation of Public Offer Shares to investors under the Public Offer 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 applicants but, subject to that, will be made strictly on a pro-rata basis, although this could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **Over-allotment Option**

Pursuant to the Underwriting Agreement, the Company has granted the Lead Manager the Over-allotment Option exercisable within 30 days of the latest day for the lodging of applications under the Public Offer, pursuant to which the Company may be required to issue up to 47,495,455 additional new H Shares and the Vendors may be required to sell up to 4,749,545 additional Sale H Shares, representing 15% of the number of Shares initially available under the Share Offer, to such person or persons as the Lead Manager may direct, at the Offer Price. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 30.48% of the enlarged share capital of the Company. If the Over-allotment Option is exercised, an announcement will be published in the South China Morning Post (in English) and in the Hong Kong Economic Journal (in Chinese).

The Lead Manager may also cover such over-allocations by (amongst others) making purchases in the secondary market, or by both making purchases in the secondary market and exercising in full or in part the Over-allotment Option. Any purchases in the secondary market will be in compliance with all applicable laws and regulatory requirements, and the price will not be higher than the Offer Price.

The levels of indication of interest in the Placing and the basis of allotment and the results of application under the Public Offer are expected to be published in the South China Morning Post (in English) and in the Hong Kong Economic Journal (in Chinese) on or before Monday, 22nd December, 2003.

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The net proceeds from the New Issue, after deducting commissions and expenses and assuming an Offer Price of HK\$3.10 per H Share (being the mid-point of the stated range of the Offer Price between HK\$2.90 to HK\$3.30 per H Share) and that the Over-allotment Option is not exercised at all, are estimated to be approximately HK\$934,000,000. If the Over-allotment Option is exercised in full, the Company would receive additional net proceeds (after deducting commissions and expenses attributable to the exercise of the Over-allotment Option) of approximately HK\$141,900,000.

### **Stabilisation**

The Lead Manager may effect transactions which stabilise or maintain the market price of the H Shares. Such 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 and are required to be brought to an end after a limited period. Should stabilising transactions be effected in connection with the distribution of the H Shares, they will be done at the absolute discretion of the Lead Manager.

In addition, the Lead Manager may, in connection with the stabilising action, maintain a long position in the Shares. There is no certainty regarding the extent to which and the time period for which the Lead Manager will maintain such a position. There may be a possible impact in the case of liquidation of the long position by the Lead Manager. Stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the commencement of trading of the Shares and the offer price for the Shares is announced, whether in this prospectus or otherwise, and ends on the earlier of the 30th day after the latest day for the lodging of applications under the Public Offer; or the commencement of trading of the Shares. The stabilising period is expected to expire on Thursday, 15th January, 2004, and after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price, could fail.

The price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action. 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 transactions effected at a price below the price paid for the Shares.

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 offer price of the securities. The stabilisation price to cover over-allocations will not exceed the initial price.

In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where the underwriters purchase shares in the secondary market genuinely and solely for the purpose of covering over-allocations in the relevant offer. Such transactions, if commenced, may be discontinued at any time. The relevant provisions of the SFO prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.