

PLACING STRUCTURE AND EXPENSES

THE PLACING

The Company is offering 180,000,000 Placing Shares at the Placing Price for subscription by way of the Placing. The 180,000,000 Placing Shares offered in the Placing will represent 30% of the issued share capital of the Company immediately following completion of the Placing (assuming the Over-allotment Option is not exercised).

In connection with the Placing, ICEA may over-allocate Shares and may cover such over-allocations by 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. ICEA may also effect transactions which stabilise or maintain the market price of the Shares. Any such over-allocation, stock borrowing, purchase or transaction will be made in compliance with all applicable laws and regulatory requirements.

Over-allotment Option

The Company has granted to the Underwriters the Over-allotment Option exercisable by ICEA (in its sole discretion) at any time within 30 days from the date of this prospectus. The Over-allotment Option requires the Company to allot and issue up to an aggregate of 27,000,000 additional Shares, representing 15% of the Placing Shares initially offered in the Placing, at the Placing Price to cover over-allocations in the Placing, if any. The number of Shares over-allocated will not be greater than the number of Shares which may be issued upon exercise of the Over-allotment Option.

If the Over-allotment Option is exercised in full, the aggregate number of Shares offered in the Placing will represent approximately 33.0% of the enlarged share capital of the Company immediately following completion of the Placing and the exercise of the Over-allotment Option.

Stock borrowing arrangement

In order to facilitate settlement of over-allocations in connection with the Placing pending exercise of the Over-allotment Option, a stock borrowing arrangement has been entered into between Easywin and ICEA.

Pursuant to this arrangement, Easywin has agreed that, if so requested by ICEA, Easywin will lend to ICEA up to 27,000,000 Shares on the following terms:

- (i) the borrowed Shares will only be used to settle over-allocations in the Placing; and
- (ii) the same number of Shares must be returned to Easywin no later than three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised in full, and (b) the day on which the Over-allotment Option is exercised in full, and the returned Shares will be redeposited with the escrow agent.

Stabilisation

Stabilisation is a practice used by securities practitioners in some markets to facilitate the distribution of securities. To stabilise, the securities practitioners may bid for, or purchase, the 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 offering price of the securities. 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.

PLACING STRUCTURE AND EXPENSES

In Hong Kong, stabilisation activities on the Stock Exchange are restricted to cases where securities practitioners genuinely purchase shares on the secondary market solely for the purpose of covering over-allocations in an offering. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the over-allocations of Shares, they will be effected in the absolute discretion of ICEA (on behalf of the Underwriters). The prices of the Shares being purchased in the secondary market shall not exceed the Placing Price. The 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.

Basis of allocation

Allocation of the Placing Shares to investors 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 further Shares, or to 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 or the establishment of a broad shareholder base to the benefit of the Company and the Shareholders as a whole.

EXPENSES

The Underwriters will receive an underwriting commission of 3.5% on the Placing Price of all the Placing Shares.

The underwriting commissions, listing fees, Stock Exchange transaction levy, legal and printing and other professional fees and other expenses relating to the Placing are estimated to amount to a total of approximately HK\$33 million (assuming the Over-allotment Option is not exercised) and are payable by the Company.

FIXING OF THE PLACING PRICE

The Placing Price will not be more than HK\$1.25 and is expected to be not less than HK\$1.15 per Placing Share. The Placing Price will be determined by the Company and ICEA (on behalf of the Underwriters) at or prior to 5:00 p.m. on 7 May 2001, or such later date and time as may be agreed by the Company and ICEA (on behalf of the Underwriters) but in any event not later than 9:00 a.m. on 23 May 2001. The Company and ICEA (on behalf of the Underwriters) may agree to a Placing Price of less than HK\$1.15 per Placing Share at any time prior to the relevant price determination time if, based on the level of interest expressed by prospective investors during the book building process, a reduction is considered appropriate. In such case, notice of the reduction in the indicative Placing Price will be published on the GEM website on the business day after such determination.

If, for any reason, the Placing Price is not determined at or prior to 5:00 p.m. on 7 May 2001, the expected timetable will be postponed, but in any event, the commencement of dealings in the Shares on GEM will not be later than 25 May 2001. In the event the expected timetable is required to be postponed as a result of the Placing Price not being determined at or prior to 5:00 p.m. on 7 May 2001, an announcement will be published on the GEM website at “www.hkgem.com” on 8 May 2001.

PLACING STRUCTURE AND EXPENSES

If, for any reason, the Placing Price is not agreed between the Company and ICEA (on behalf of the Underwriters) at or prior to 9:00 a.m. on 23 May 2001, the Placing will not proceed.

PRICE PAYABLE ON APPLICATION

The Placing Price plus a 1% brokerage fee and a 0.01% transaction levy (subject to adjustment) constitute the total price payable on subscription. As at the Latest Practicable Date, the transaction levy was 0.01%. Pursuant to Revenue (No. 3) Bill 2001 (the effective date when it comes into operation will be appointed by the Secretary for the Treasury by notice published in the Hong Kong Government Gazette), the transaction levy will be 0.007% and the Stock Exchange will no longer have any sharing of the transaction levy. In addition, the Stock Exchange has announced by way of news release that a trading fee of 0.005% per side of the consideration of a transaction would take effect upon removal of the Stock Exchange's portion of the transaction levy.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

1. Listing

The GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the existing Shares, the Placing Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may fall to be issued upon the exercise of options granted under the Share Option Scheme).

2. Placing Agreement

The obligations of the Underwriters under the Placing Agreement becoming unconditional (including, if relevant, following the waiver of any conditions by ICEA) and not being terminated at or prior to 9:00 a.m. on 10 May 2001 in accordance with the terms of that agreement or otherwise.

3. Determination of the Placing Price

The Placing Price being determined and the Price Determination Agreement being entered into by the Company and ICEA (on behalf of the Underwriters) at or prior to 5:00 p.m. on 7 May 2001 or such later date and time as may be agreed by the Company and ICEA (on behalf of the Underwriters) but in any event not later than 9:00 a.m. on 23 May 2001.

If these conditions are not fulfilled at the respective time as stated, or such later date and time as may be agreed by the Company and ICEA (on behalf of the Underwriters) (in case the Placing Price is not determined at or prior to 5:00 p.m. on 7 May 2001), but in any event not later than 9:00 a.m. on 25 May 2001, the Placing will not proceed.

Pursuant to section 342(B) of the Companies Ordinance, it shall not be lawful for any person to issue, circulate or distribute in Hong Kong this prospectus if it does not have the effect,

PLACING STRUCTURE AND EXPENSES

where an application is made in pursuance thereof, of rendering all persons concerned bound by all the provisions of sections 44A and 44B of the Companies Ordinance so far as applicable. Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application in pursuance of this prospectus will be void if permission for listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of the closing of the subscription lists or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

According to the timetable set out in the section headed “Expected timetable” in this prospectus, no allotment of Shares shall be made before 7 May 2001.

PLACING AGREEMENT

The Company has entered into the Placing Agreement with, inter alia, the Underwriters. The Underwriters have agreed to procure subscribers to subscribe, or failing which to subscribe, for the Placing Shares (subject to adjustment as described herein), on the terms and conditions as set out in the Placing Agreement.

Pursuant to the Placing Agreement, the Underwriters has been granted the Over-allotment Option, exercisable by ICEA (on behalf of the Underwriters) for a period of 30 days from the date of this prospectus.

Undertakings by the Initial Management Shareholders and the Company

Each of the Initial Management Shareholders have undertaken to the Company and the Underwriters under the Placing Agreement that:

- (i) for an initial period of six months from the date on which dealings in the Shares first commence on GEM, (a) it, he or she will not, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (or enter into agreements to dispose of) nor permit the registered holder to dispose of (or enter into agreements to dispose of) any of its, his or her Relevant Shares; (b) it, he or she will place (or, in the case of Mr. Wang and Ms. Zhao, procure to be placed) in escrow, with an escrow agent acceptable to the Stock Exchange and ICEA, its his or her Relevant Shares; and (c) it, he or she will comply with the requirements under Rule 13.20 of the GEM Listing Rules;
- (ii) during the second six-month period after the date on which the Shares are listed on the GEM, (a) it, he or she will not dispose of its, his or her Relevant Shares if such disposal would result in it, he or she (together with other Initial Management Shareholders) ceasing to have control over 35% of the voting power at general meetings of the Company; and (b) it, he or she will also place (or in the case of Mr. Wang and Ms. Zhao, procure to be placed) in escrow, with an escrow agent acceptable to the Stock Exchange and ICEA its, his or her Relevant Shares.

The Company has undertaken to the Sponsor that it will not issue, agree to issue or grant options to issue any Shares, or issue or agree to issue or grant options to issue any securities convertible into equity securities of the Company (whether or not of a class already listed) within the first six-month period of the date on which Shares first commence dealing on GEM, save in respect of any capitalisation issue or any consolidation, sub-division or capital reduction of Shares.

PLACING STRUCTURE AND EXPENSES

Grounds for termination

The obligations of the Underwriters under the Placing Agreement to procure subscribers for the Placing Shares are subject to termination if certain events, including force majeure, shall occur at any time prior to 9:00 a.m. (Hong Kong time) on 10 May 2001 or such later time or date as may be agreed by the Company and ICEA (on behalf of the Underwriters) (in case the Placing Price is not determined at or prior to 5:00 p.m. on 7 May 2001), but in any event not later than 9:00 a.m. (Hong Kong time) on 25 May 2001. ICEA (on behalf of the Underwriters) has the right to terminate its obligations under the Placing Agreement in its sole and absolute discretion if it sees fit upon the occurrence of, but not limited to, any of the following events:

- (i) in the reasonable opinion of ICEA (on behalf of the Underwriters), the success of the Placing would or might be materially and adversely affected by:
 - (a) the introduction of any new law and regulation or any change in existing laws or regulations or change in the interpretation or application thereof or other occurrence of any nature whatsoever which may in the reasonable opinion of ICEA (on behalf of the Underwriters) materially and adversely affect the business or financial prospects of the Group taken as a whole; or
 - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Placing Agreement and including an event of change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic, or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which will likely result in a material adverse change in political, economic or stock market conditions and is likely to materially and adversely affect the success of the Placing; or
 - (c) any adverse change in the business or in the financial and/or trading position of the Group which is material in the context of the Placing; or
 - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (e) a change or development involving a prospective change in taxation in Hong Kong, the Cayman Islands, the British Virgin Islands or the PRC or the implementation of exchange controls which shall or would materially and adversely affect the Company or its present or prospective shareholders in their capacity as such; or
- (ii) any change or deterioration in the conditions of local, national or international securities markets occurs which, in the reasonable opinion of ICEA, (on behalf of the Underwriters) is likely to materially and adversely affect the success of, or makes it inexpedient or inadvisable to proceed with, the Placing; or

PLACING STRUCTURE AND EXPENSES

- (iii) there comes to the notice of any of the Underwriters any information, matter or event showing any of the representations and warranties contained in the Placing Agreement to be untrue or inaccurate in any material respect considered by ICEA (on behalf of the Underwriters) in its reasonable opinion to be material and adverse in the context of the Placing; or
- (iv) any of the executive Directors, Initial Management Shareholders and/or the Company commits any material breach of, or omits to observe in any material respect, any of their obligations or undertakings under the Placing Agreement; or
- (v) there comes to the notice of any of the Underwriters any information, matter or event which, in the reasonable opinion of ICEA (on behalf of the Underwriters) may lead to a material adverse change in the business or in the financial or trading position of the Group taken as a whole.