
STRUCTURE AND CONDITIONS OF THE PLACING

DETERMINING THE PLACING PRICE

The Placing Price will not be more than HK\$0.50 per Placing Share and is expected to be not less than HK\$0.40 per Placing Share although CPY International (on behalf of the Underwriters) and the Company may agree to a lower price. The final Placing Price is expected to be fixed by agreement between CPY International (on behalf of the Underwriters) and the Company on or before 5:00 p.m. on 30th January, 2002. In the case that the Placing Price is lower than the above price range, notices of the reduction in the indicative Placing Price range will be published on the GEM website no later than 31st January, 2002. If CPY International (on behalf of the Underwriters) and the Company are unable to reach agreement on the Placing Price by 5:00 p.m. on 30th January, 2002, or such later date as may be agreed between CPY International (on behalf of the Underwriters) and the Company (but in any event not later than 5:00 p.m. on 1st February, 2002), the Placing will not become unconditional and will lapse. In such case, an announcement will be made immediately on the GEM website.

THE PLACING

The Placing Shares, comprising an offer of 240,000,000 New Shares and 60,000,000 Sales Shares (subject to the Over-allotment Option), are being offered for subscription or sale under the Placing. The Placing Shares will represent approximately 25% of the Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised).

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 plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.007% transaction levy. The amount payable for one board lot of 5,000 Placing Shares together with 1% brokerage, 0.005% trading fee and 0.007% transaction levy will be in the range of HK\$2,020.24 to HK\$2,525.30 provided that the Placing Price is between HK\$0.4 to HK\$0.5 per Share. The Placing is arranged by CPY International and fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement and this prospectus.

Pursuant to the Placing, the Underwriters or selling agents nominated by the Underwriters on behalf of the Company shall place the Placing Shares at the Placing Price with selected professional and institutional investors and other investors anticipated to have a sizeable demand for the Placing Shares. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

(a) Listing

The GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue, the Placing, the exercise of the Over-allotment Option and the exercise of options granted under the Share Option Scheme; and

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(b) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms or otherwise.

If the above conditions are not fulfilled or, where applicable, waived by CPY International (on behalf of the Underwriters) on or before 1st March, 2002, the Placing will lapse.

OVER-ALLOTMENT OPTION

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriters (exercisable by CPY International on behalf of the Underwriters) the right but not the obligation of the Over-allotment Option, exercisable within 30 days from the date of this prospectus, to require the Company to issue up to an aggregate of 45,000,000 additional Shares, representing 15% of the number of Shares initially available under the Placing. These Shares will be issued at the Placing Price for the purpose of covering over-allocations in the Placing. In the event that the Over-allotment Option is exercised, the additional Shares issued will be allocated to the Placing at the discretion of CPY International who may, at its option, also cover any over-allocations through stock borrowing arrangements with Perfect Develop under the Securities Lending Agreement and the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws.

STABILISATION

In connection with the Placing, CPY International (on behalf of the Underwriters) may over-allot up to an aggregate of 45,000,000 additional Shares (such over-allotment may be covered by exercising the Over-allotment Option in full or in part, at any time up to the thirtieth day from the date of this prospectus or by purchasing Shares in the secondary market) and/or 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 Placing Price. Any such over-allocation purchase transactions will be made in compliance with all applicable laws.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid 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. 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.

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-allocation in the relevant offer. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the distribution of the Placing Shares, they will be done at the absolute discretion of CPY International. The stabilisation price to cover the over-allocation will not normally be higher than the Placing Price.

Relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

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TRANSFER OF 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 in the Cayman Islands. Completion of the acknowledgement form in a placing letter or, as the case may be, of an application form in the Placing Shares shall constitute an irrevocable instruction by the placee(s) that the transfer of all the Sale Shares in respect of which the relevant application is accepted will be carried out in the Caymen Islands to be followed by a removal of the Sale Shares 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 certificate(s) to placee(s) or such other person as instructed by the relevant placee(s).