

# STRUCTURE OF THE SHARE OFFER

## PRICE PAYABLE ON APPLICATION

The price of the Offer Shares is HK\$0.80 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.007% SFC transaction levy. This means that the total price payable by the subscriber on application of a board lot of 2,500 Shares will be HK\$2,020.24.

## CONDITIONS OF THE SHARE OFFER

Acceptance of your application for the Offer Shares is conditional upon:

### 1. Listing

The Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the application forms on or before 29th December, 2002; and

### 2. Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any conditions by the Lead Manager on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case, on or before 5:00 p.m. (Hong Kong time) on the day immediately preceding the day of despatch of share certificates the Offer Shares. Details of the Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed “Underwriting” of this prospectus.

If any of these conditions is not fulfilled, or where applicable, waived on or before 29th December, 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 in the paragraph headed “Refund of your money” on the application form.

In the meantime, your money will be held in one or more separate bank accounts with the receiving banker or other bank or bankers 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, subject to reallocation as set out in this section. The Placing and the Share Offer are fully underwritten by the Underwriters.

## THE PLACING

The Placing comprises initially (i) 48,562,500 new Shares offered by the Company for subscription; and (ii) 31,125,000 existing Shares offered by the Vendor for sale. The number of Placing Shares initially available for application under the Placing represents 85% of the total number of Offer Shares being offered under the Share Offer. Investors taking up Placing Shares are required to pay the Offer Price plus a 1% brokerage, a 0.007% SFC transaction levy and a 0.005% Stock Exchange trading fee.

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It is expected that the Placing Shares will be conditionally placed at the Offer Price with selected professional, institutional and private investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

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 shareholder base to the benefit of the Company and its shareholders as a whole. Investors to whom the Placing Shares are offered will be required to undertake not to apply for the Public Offer Shares under the Public Offer.

The Placing is subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” above.

### PREFERENCE TO FULL-TIME EMPLOYEES

Up to a maximum of 1,400,000 Public Offer Shares, representing approximately 9.95% of the total number of Shares initially available under the Public Offer, are available for subscription by full-time employees of the Group in Hong Kong (excluding the Directors, the chief executive of the Company, the existing beneficial owners of Shares and their respective associates (the “Eligible Employees”) on a preferential basis, if their applications for the Public Offer Shares are made on the **PINK** application forms. Allocation of these Public Offer Shares will be made based on the written guidelines consistent with the allocation guidelines contained in Practice Note 20 to the Listing Rules and distributed to the Eligible Employees. Allocation for the Shares validly applied for will be made on a pro-rata basis in an equitable manner and will not be based on the seniority, the length of services or the work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Shares and applications made on **PINK** application forms for more than the number of Shares available for subscription by Eligible Employees will be rejected. There will be not less than 12,662,500 Public Offer Shares initially available for subscription by the public under the Public Offer assuming that all the Public Offer Shares available for preferential application by the Eligible Employees are validly applied for.

### OFFER MECHANISM – BASIS OF ALLOCATION OF OFFER SHARES

There will be a total of 14,062,500 Public Offer Shares available for allocation under the Public Offer. Up to 1,400,000 Public Offer Shares may be allocated to full-time employees of the Group using **PINK** application forms on a preferential basis. For allocation purposes only, the remaining Public Offer Shares will be divided equally into two pools: pool A and pool B. Assuming that the employees will take up their full entitlement of 1,400,000 Public Offer Shares using **PINK** application forms, the Public Offer Shares in pool A will consist of not less than 6,362,500 Public Offer Shares and will be allocated on an equitable basis only to applicants who have validly applied for the Public Offer Shares in the value of HK\$5 million or less (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon). The Public Offer Shares in pool B will consist of not less than 6,300,000 Public Offer Shares and will be allocated on an equitable basis only to applicants who have validly applied for the Public Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value of pool B. Applicants should be aware that applications in pool B are likely to receive different allocation ratios than applications

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in pool A. If one (but not both) of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in the other pool and shall be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares either pool A or pool B but not from both pools and can only make applications to either pool A or pool B but not from both pools. Multiple applications or suspected multiple applications within either pools or between pools will be rejected.

Applications on **PINK** application forms for more than the total number of Public Offer Shares available under the **PINK** application forms, being 1,400,000 Public Offer Shares, will be rejected.

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application will not receive any Placing Shares under the Placing, has not indicated and will not indicate an interest for any Placing 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 Company and the Lead Manager (and if any Sale Shares are reallocated from the Placing to the Public Offer as described under the paragraph headed "Transfer of the Sale Shares" in this section, the Vendor) have full discretion to reject or accept any application, or to accept only part of any application.

Allocation of the Public Offer Shares, including any Offer Shares which may be reallocated from the Placing, under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, the basis of allocation may vary depending on the number of Public Offer Shares validly applied for by each applicant. The allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares in such circumstances than others who have applied for the same number of the Public Offer Shares, and those applicants 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 potential investors are likely to buy further Shares, or hold or sell their 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 professional and institutional shareholder base to the benefit of the Company and its Shareholders as a whole. Investors who have been allocated with any of the Placing Shares under the Placing will not be allocated with any Public Offer Shares under the Public Offer. Similarly, investors who have been allocated with any Public Offer Shares under the Public Offer will not be allocated with any Placing Shares under the Placing.

### **OVER-SUBSCRIPTION OF THE PUBLIC OFFER**

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment. At the discretion of the Lead Manager (upon considering the level of acceptance under the Public Offer), certain number of Shares may be reallocated from the Placing to the Public Offer in the manner as detailed as follows, but such reallocation will only be made to the extent that investor demand under the Public Offer is sufficient to take up such reallocated Shares. 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 Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares

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available under the Public Offer will be at least 28,125,000 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 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 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 at least 37,500,000 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 Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then the number of 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 at least 46,875,000 Shares (representing 50% of the total number of the Offer Shares available under the Share Offer, assuming the Over-allotment Option is not exercised). In each such case, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the Placing will be correspondingly reduced.

### **UNDER-SUBSCRIPTION**

If the Public Offer is not fully subscribed, the Lead Manager (for itself and on behalf of the other Underwriters) has the authority and the absolute discretion to reallocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing, in such number as it deems appropriate provided that there is sufficient demand under the Placing to take up such reallocated Shares. If the Placing is not fully subscribed, the Lead Manager (for itself and on behalf of the other Underwriters) has the authority and the absolute discretion to reallocate all or any unsubscribed Placing Shares originally included in the Placing (including some or all of the Sale Shares, if applicable) to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such reallocated Shares. Details of any reallocation of Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on 12th December, 2002.

### **TRANSFER OF THE SALE SHARES**

All transfers of the Sale Shares to placee(s) or their designated person(s) will be effected by way of transfer to the Lead Manager (as trustee for the placee(s)) on the Company's principal register of members in the Cayman Islands. Completion of the acknowledgement form in a placing letter shall constitute an irrevocable instruction by the placee(s): (i) to transfer the relevant Sale Shares to CSC Securities (as its/their trustee); (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 certificate(s) to the successful placee(s) or its/their designated person(s) under the Placing; and (iii) (where applicable) to CSC Securities to transfer the Sale Shares in respect of which the relevant application is accepted into the name of HKSCC Nominees Limited.

If the Placing is not fully subscribed, and the Lead Manager (for itself and on behalf of the other Underwriters) exercises its absolute discretion to reallocate all or any of the Sale Shares originally included in the Placing to the Public Offer, all transfers of the reallocated Sale Shares to successful applicants under the Public Offer, or their designated person(s), will be effected on the Company's principal register of members in the Cayman Islands.

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In the case of applicants under the Public Offer 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 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 despatch of share certificate(s) to successful applicant(s) or, in the case of applicants on **WHITE** application forms, their designated person(s), under the Public Offer.

In the case of applicants under the Public Offer 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; and (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 certificate(s) to HKSCC Nominees Limited under the Public Offer.

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

### OVER-ALLOTMENT OPTION

Under the Underwriting Agreement, the Company has granted to the Lead Manager (for itself and on behalf of the other 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, the Lead Manager will have the right to require the Company to issue up to 14,062,500 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, the Lead Manager 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 issued and allotted under the Over-allotment Option.

If the Over-allotment Option is exercised in full, the Offer Shares comprised in the Share Offer will represent 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 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 Imperial Profit and CSC Asia. Under the stock borrowing agreement, Imperial Profit, being a substantial shareholder of the Company, has agreed with CSC Asia that, if requested by CSC Asia, it will, subject to the terms of the stock borrowing agreement, make available to CSC Asia up to 14,062,500 Shares held by it, by way of stock 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

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controlling shareholders (as defined in the Listing Rules) of a company for a period of six months from the Listing Date, in order to allow Imperial Profit, who is one of the controlling Shareholders (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 Imperial Profit will only be effected for settlement of over-allocations in the Placing;
- (b) the maximum number of Shares which may be borrowed from Imperial Profit by CSC Asia must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed will be returned to Imperial Profit or its nominees, as the case may be, not later than three business days following the earlier of (i) the day on which the Over-allotment Option is exercised in full and the relevant Over-allotment Shares have been issued and (ii) the last day on which Shares may be issued by the Company pursuant to the Over-allotment Option;
- (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 Imperial Profit by CSC Asia in consideration for the borrowed Shares.

### **STABILISATION**

In connection with the Share Offer, the Lead Manager 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 (through CSC Asia), 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 14,062,500 Shares, which represents 15% of the Shares initially available under the Share Offer.

The Lead Manager 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 done so at the absolute discretion of the Lead Manager.

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 issue 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.