

STRUCTURE OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

The price of the Offer Shares is HK\$1.00 per Share plus 1% brokerage, a 0.007% Securities and Futures Commission transaction levy and 0.005% Stock Exchange trading fee. For every board lot of 2,000 Shares, you must pay a total of HK\$2,020.24.

CONDITIONS OF THE SHARE OFFER

Acceptance of your application for Offer Shares or your agreement to take up any Offer Shares will be conditional upon:–

1. Listing

The Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the related application forms (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option); and

2. Underwriting and Placing Agreement

The obligations of the Underwriters under the Underwriting and Placing Agreement becoming unconditional, and not being terminated, at or before 5:00 p.m. on the third Business Day following the close of application lists for the Public Offer. Details of the Underwriting and Placing Agreement, its conditions and grounds for termination, are set out under the section headed “Underwriting” in this prospectus.

If these conditions are not fulfilled on or before 24th April, 2002, your application money will be returned to you, without interest. The terms on which your money will be returned to you are set out in the section headed “Refund of your money” on the application forms.

In the meantime, your money will be held in one or more separate bank accounts with the receiving banker or other licensed banks in Hong Kong.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 72,000,000 Offer Shares will be made available under the Share Offer, of which 21,600,000 New Shares and 36,000,000 Sale Shares, together representing 80% of the Offer Shares, will initially be available for subscription or purchase by professional, institutional and private investors under the Placing. The remaining 14,400,000 New Shares, representing 20% of the Offer Shares, will initially be offered to the public in Hong Kong under the Public Offer. Both the Placing and the Public Offer are subject to reallocation and the Over-allotment Option on the basis described below.

Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 40% of the enlarged issued share capital of the Company immediately after the completion of the Share Offer and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 43.4% of the then enlarged issued share capital of the Company.

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 and Placing Agreement. Further details of the underwriting and placing arrangements are set out in the section headed “Underwriting” in this prospectus.

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Investors may apply for the Offer Shares under the Public Offer or indicate an interest for the Offer 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.

OFFER MECHANISM – BASIS OF ALLOCATION OF THE OFFER SHARES

The Share Offer comprises the Placing and the Public Offer.

Placing

The Placing comprises initially (i) 21,600,000 New Shares offered by the Company for subscription; and (ii) 36,000,000 Sale Shares offered by the Vendor under the Offer for Sale. The number of Placing Shares initially available for application under the Placing represents 80% of the total number of Offer Shares being offered under the Share Offer. The Placing is fully underwritten by the Placing Underwriters. Investors taking up Placing Shares are required to pay the Offer Price plus a 1% brokerage, a 0.007% Securities and Futures Commission transaction levy and a 0.005% Stock Exchange trading fee.

It is expected that the Placing Underwriters, or selling agents nominated by them, on behalf of the Company or, as the case may be, the Vendor, will conditionally place the Placing Shares 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.

Public Offer

For allocation purposes only, the total number of Public Offer Shares initially available for public subscription under the Public Offer (taking into account any adjustment of Offer Shares between the Placing and the Public Offer referred to below), other than those Public Offer Shares which have been validly applied and paid for by full-time employees of the Group in Hong Kong using **PINK** application forms, will be divided equally into two pools: pool A and pool B. Subject to the employees’ full subscription of 1,440,000 Public Offer Shares using **PINK** application forms, pool A will consist of not less than 6,480,000 Public Offer Shares and will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding Securities and Futures Commission transaction levy, Stock Exchange trading fee and brokerage payable thereon) of HK\$5 million or less; pool B will consist of not less than 6,480,000 Public Offer

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Shares and will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding Securities and Futures Commission transaction levy, Stock Exchange trading fee and brokerage payable thereon) of more than HK\$5 million and up to the total value of pool B. Applicants should be aware that applications within the same pool, and as well as between different pools, are likely to receive different allocation ratios. Where one of the pools is undersubscribed and the other pool is oversubscribed, the surplus Public Offer Shares from the undersubscribed pool will be transferred to the other pool to satisfy excess demand in the oversubscribed pool and be allocated accordingly. Applicants can only apply to receive an allocation of Public Offer Shares in either pool A or pool B but not from both pools. No applications will be accepted from investors applying for more than the total number of Public Offer Shares originally allocated to each pool. Multiple applications or suspected multiple applications with either pool or between pools will be rejected.

The Company, the Directors, the Sponsor, the Co-sponsors and the Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have received Placing Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares under the Public Offer.

PREFERENCE TO FULL-TIME EMPLOYEES

Up to a maximum of 1,440,000 Public Offer Shares, representing 10% 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 12,960,000 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.

REALLOCATION OF OFFER SHARES BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to adjustment on the following basis:

- (a) 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 available under the Public Offer will be increased to 21.6 million Shares, representing approximately 30% of the Offer Shares;

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- (b) 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 Shares will be reallocated to the Public Offer from the Placing so that the total number of Shares available under the Public Offer will be increased to 28.8 million Shares, representing approximately 40% of the Offer Shares; and
- (c) 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 Shares will be reallocated to the Public Offer from the Placing so that the total number of Shares available under the Public Offer will be increased to 36 million Shares, representing approximately 50% of the Offer Shares.

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 Offer Shares initially available for subscription or purchase under the Placing will be correspondingly reduced.

If the Public Offer is not fully taken up, Ka Wah Capital, on behalf of the Underwriters, shall have the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such amounts and manner as it may deem appropriate.

The Public Offer is open to all members of the public in Hong Kong. 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, indicated an interest in or 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.

The Public Offer is subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" above.

OVER-SUBSCRIPTION

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received. 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. However, this may involve balloting, which would mean that some applicants may be allotted more Shares 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.

TRANSFER OF SALE SHARES

All transfer of the Sale Shares to successful applicants (or such other persons as instructed by the successful applicants) will be effected on the Company's principal register of members in Hong Kong. An application for Offer Shares or agreement to take up Offer Shares (in the Placing or otherwise) shall constitute an irrevocable instruction by the applicant(s) that the registration of all the Sale Shares comprised in the Offer Shares in respect of which the relevant application is accepted shall be registered with the Company's principal register of members in Hong Kong prior to the issue of share certificates in respect thereof.

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OVER-ALLOTMENT OPTION

Pursuant to the Underwriting and Placing Agreement, the Company has granted to Ka Wah Capital the right but not the obligation to exercise the Over-allotment Option for a period of 30 days from the date of this prospectus under which Ka Wah Capital will have the right to require the Company to issue up to 10,800,000 additional Shares, representing 15% of the Shares initially available under the Share Offer for the purpose of covering over-allocations in the Placing. These Shares will be issued at the Offer Price. In connection with the Share Offer, Ka Wah Capital may over-allocate up to and not more than an aggregate of 10,800,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option within 30 days after the date of this prospectus, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. Any such purchase will be made in compliance with all applicable laws and regulatory requirements. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon the exercise in full of the Over-allotment Option which is 15% of the Shares initially available under the Share Offer.

If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 43.4% of the Company's enlarged share capital immediately after the completion of the Share Offer and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made in the Hong Kong iMail (in English) and the Hong Kong Economic Times (in Chinese).

In particular, for the purpose of covering such over-allocations, Ka Wah Capital may borrow up to 10,800,000 Shares from Capital Concord, equivalent to the maximum number of Shares to be offered on a full exercise of the Over-allotment Option, under a stock borrowing agreement entered into between Ka Wah Capital and Capital Concord. **The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by the controlling shareholders following a new listing, in order to allow Capital Concord to enter into and perform its obligations under such stock borrowing agreement on the conditions that:**

- such stock borrowing agreement with Capital Concord will only be effected by Ka Wah Capital for settlement of over-allocations in the Placing;
- the maximum number of Shares to be borrowed from Capital Concord will be limited to the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option; and
- the same number of Shares (or its reasonable equivalent) or any stock or monies which in the opinion of the Collector of Stamp Revenue can as a result of the occurrence of certain events be reasonably and fairly regarded as equivalent to those Shares so borrowed shall be returned to Capital Concord or its nominees (as the case may be) on or before the third Business Day following the earlier of (i) the last day on which Shares may be issued by the Company pursuant to the Over-allotment Option, or (ii) the day on which the Over-allotment Option is exercised in full and the relevant Over-allotment Shares have been issued.

The stock borrowing agreement will be effected in compliance with all applicable laws and regulatory requirements. No payments will be made to Capital Concord by Ka Wah Capital in relation to such stock borrowing agreement.