

STRUCTURE OF THE OFFER

The Offer comprises the Placing and the Public Offer. The Offer Shares offered in the Offer, totalling 60,000,000 Shares, will represent 25% of the enlarged issued share capital of the Company immediately following completion of the Offer and the Capitalisation Issue.

Investors are free to select whether to apply for the Offer Shares under the Placing or the Public Offer, but may not apply under both these methods. Investors may only receive an allocation of Shares under the Placing or the Public Offer but not both.

THE PLACING

Price payable on application

The Offer Price shall be \$1.00 per Placing Share plus brokerage of 1%, a SFC transaction levy of 0.007% and a Stock Exchange trading fee of 0.005%. A total of \$2,020.24 is payable for every 2,000 Placing Shares.

Placing

51,000,000 Placing Shares, comprising 27,000,000 New Shares and 24,000,000 Sale Shares, representing in aggregate 85% of the total number of the Offer Shares being offered under the Offer, are offered for subscription and for sale respectively by way of the Placing, subject to Over-allotment Option and reallocation as mentioned in the respective paragraphs headed “Over-allotment Option” and “The Public Offer” below.

It is expected that the Placing Underwriters or selling agents nominated by them on behalf of the Company and the Vendor will conditionally place the Placing Shares with professional, institutional and other investors. Professional and institutional investors generally include high net worth individuals, brokers, dealers, companies and fund managers, whose ordinary course of business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Applications under the Public Offer from investors receiving Shares under the Placing will be identified and rejected.

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

Placing allocation factors

Allocation of the Placing Shares to professional, institutional and other investors pursuant to the Placing will be based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to buy further Shares, or hold or sell the 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.

THE PUBLIC OFFER

Price payable on application

The Offer Price shall be \$1.00 per Public Offer Share plus brokerage of 1%, a SFC transaction levy of 0.007% and a Stock Exchange trading fee of 0.005%. A total of \$2,020.24 is payable for every 2,000 Public Offer Shares.

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Public Offer

The Public Offer is an offer to the public in Hong Kong for subscription of initially 9,000,000 New Shares, representing in aggregate 15% of the total number of Offer Shares being offered under the Offer, subject to reallocation as mentioned below.

The Public Offer is open to all members of the public in Hong Kong. Applicants for the Public Offer Shares under the Public Offer may not take up Placing Shares under the Placing. The Public Offer will be subject to the conditions stated in the paragraph headed “Conditions of the Offer” below.

10% of the Public Offer Shares initially available under the Public Offer will be available to full-time employees of the Group for subscription as mentioned in the sub-paragraph headed “Preference to employees” below.

Preference to employees

Up to 900,000 Public Offer Shares (the “**Employee Shares**”) (representing 10% of the Public Offer Shares initially available under the Public Offer) are available for subscription by full-time employees of the Group (other than directors or chief executive of the Company or any of its subsidiaries, existing beneficial owner(s) of Shares and their respective associates (as defined in the Listing Rules)) on a preferential basis under the Public Offer. Applications for more than 100% of the Employee Shares will be rejected. If the total number of Employee Shares applied for on **PINK** application forms exceed 900,000, the Employee Shares validly applied for will be (i) allocated on a pro rata basis in proportion (as nearly as possible without involving portions of a board lot) to the number of Employee Shares applied for; or (ii) balloted if there are insufficient Employee Shares to be allocated on a pro rata basis. If balloting is conducted, some employees may be allocated more Employee Shares than others who have applied for the same number of Employee Shares. The allocation of the Employee Shares will in any event be allocated on an equitable basis and will not be based on seniority or length of service of the employees who have applied for the Employee Shares.

Offer mechanism – basis of allocation of the Public Offer Shares

There will initially be a total of 9,000,000 Public Offer Shares offer for subscription under the Public Offer. 900,000 Shares (representing 10% of the Public Offer Shares) will be available for application by full-time employees of the Group under **PINK** application forms as mentioned in the sub-paragraph headed “Preference to employees” above. There will not be less than 8,100,000 Public Offer Shares (representing 90% of the Public Offer Shares initially available under the Public Offer) initially available for public subscription. The attention of applicants, including nominees who wish to submit separate applications on behalf of different beneficial owners, is drawn to the information regarding multiple applications contained in the section headed “How to apply for the Public Offer Shares” of this prospectus. Multiple or suspected multiple applications and any application for more than 8,100,000 Public Offer Shares, representing 100% of the Public Offer Shares being initially available for subscription under the Public Offer after deduction of Employee Shares will be rejected.

If the Public Offer is not fully subscribed, the Lead Managers 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 proportion as they deem appropriate.

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Oversubscription

Allocation of 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, under which some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares and applicants who are not successful in the ballot may not receive any Public Offer Shares.

The initial allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation depending on the level of subscription of the Public Offer. The number of Shares under the Placing will be reallocated to the Public Offer on the following basis:

- (a) If the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Public Offer Shares initially available for subscription by the public under the Public Offer, then the number of Public Offer Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Public Offer Shares available under the Public Offer will be 18,000,000 Public Offer Shares, representing 30% of the total number of Offer Shares initially available under the Offer.
- (b) If the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Public Offer Shares initially available for subscription by the public under the Public Offer, then the number of Public Offer Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Public Offer Shares available under the Public Offer will be 24,000,000 Public Offer Shares, representing 40% of the total number of Offer Shares initially available under the Offer.
- (c) If the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Public Offer Shares initially available for subscription by the public under the Public Offer, then the number of Public Offer Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Public Offer Shares available under the Public Offer will be 30,000,000 Public Offer Shares, representing 50% of the total number of Offer Shares initially available under the Offer.

In each of the above cases, the number of Offer Shares allocated to the Placing will correspondingly be reduced.

OVER-ALLOTMENT OPTION

Pursuant to the Underwriting Agreement, the Company has granted the Over-allotment Option to the Lead Managers (on behalf of the Placing Underwriters) exercisable at any time up to 30 days from the date of this prospectus. Pursuant to the Over-allotment Option, the Company may be required to allot and issue, at the election of the Lead Managers and in their sole discretion, the whole or any part of the 9,000,000 Shares issuable under the Over-allotment Option, representing 15% of the number of Offer Shares initially being offered under the Offer, solely to cover over-allocations in the Placing. In order to facilitate the settlement of over-allocations in connection

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with the Placing in an efficient manner, Ever-Long Securities Company Limited (“Ever-Long”) (on behalf of the Underwriters) may choose to borrow Shares from Huge Gain under the stock borrowing agreement entered into between Ever-Long (on behalf of the Underwriters) and Huge Gain on 29th October, 2002 prior to any exercise of the Over-allotment Option, or to acquire a sufficient number of Shares from other sources. Huge Gain will not receive any payment or benefit in respect of such stock borrowing arrangement. Any such stock borrowing or secondary market purchases will be made in compliance with all applicable laws and regulatory requirements and the price of any such secondary market purchases shall not exceed the Offer Price. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 24.1% of the Company’s enlarged issued share capital immediately following completion of the Offer, the Capitalisation Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Application has been made to the Stock Exchange for a waiver from strict compliance with Rule 10.07 of the Listing Rules which restricts the disposal of Shares by Huge Gain following six months from the date of listing of Shares on the Stock Exchange. A waiver has been granted by the Stock Exchange on condition that:

- (i) the stock borrowing arrangements will be effected in compliance with all applicable laws and regulatory requirements;
- (ii) no benefits or payments will be made to Huge Gain in relation to such stock borrowing arrangements; and
- (iii) any Shares which may be made available to Ever-Long (on behalf of the Underwriters) pursuant to such arrangement will be made available on terms that the same number of Shares must be returned to Huge Gain on or before the third business day following the earlier of:
 - (i) the day on which the Over-allotment Option is exercised in full and the relevant Shares have been issued; and
 - (ii) the last day on which Shares may be issued by the Company pursuant to the Over-allotment Option.

STABILISATION

In connection with the Placing, the Lead Managers (on behalf of the Underwriters) may over-allocate up to an aggregate of 9,000,000 Shares, representing approximately 15% of the Offer Shares (such over-allocations may be covered by exercising the Over-allotment Option in full or in part, at any time up to 30 days from the date of this prospectus, by stock borrowing 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 Offer Price. Any such over-allocation purchase and/or transactions will be made in compliance with all applicable laws and regulatory requirements.

Huge Gain has agreed with Ever-Long (on behalf of the Underwriters) that it will make available to Ever-Long on a temporary basis by way of stock borrowing arrangements, up to a total of 9,000,000 Shares, to facilitate the settlement of over-allocations in connection with the Placing before the exercise of the Over-allotment Option.

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The Lead Managers may also on behalf of the Underwriters effect transactions which stabilise or maintain the market price of the 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. Should stabilising transactions be effected in connection with the distribution of Shares, they will be done at the absolute discretion of the Lead Managers.

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 offer 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 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.

CONDITIONS OF THE OFFER

Acceptance of your application for Offer Shares is conditional upon:

1. Listing

the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the application forms relating thereto (including the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme or the Over-allotment Option).

2. Underwriting agreement

the obligations of the Underwriters under the Underwriting Agreement becoming unconditional, and not being terminated, on or before 4:00 p.m. (Hong Kong time) on the day immediately before the day on which the share certificates are despatched. Details of the Underwriting Agreement and its conditions and grounds for termination are set out in the paragraph headed "Underwriting arrangements and expenses" in the section headed "Underwriting" of this prospectus.

If these conditions are not fulfilled on or before 29th November, 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 under the paragraph headed "Refund of your money" in the application forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank or banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).