

## 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 30% 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 of 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

The Placing Shares, comprising the New Shares and the 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 reallocation as mentioned in the paragraph headed “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 business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

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

#### 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. 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 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 any Placing Shares under the Placing. The Public Offer will be subject to the conditions stated in the paragraph headed “Conditions of the Offer” below in this section.

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 100% or more of the Employee Shares will be rejected. If the total number of 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) ballotted 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

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 100% of the Public Offer Shares being initially available for subscription under the Public Offer will be rejected. There will initially be a total of 9,000,000 Public Offer Shares to be offered 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 the **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.

If the Public Offer is not fully subscribed, the Lead Manager has 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 it deems appropriate.

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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.

### **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 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 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.

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### Transfer of the 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 the Cayman Islands. An indication of interest in the Placing Shares shall constitute an irrevocable instruction by the applicant(s) that (a) the registration of transfer of all the Sale Shares in respect of which the relevant application is accepted shall be effected on the Company's principal register of members in the Cayman Islands; and (b) such Sale Shares shall thereafter 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 issue of share certificates to successful applicants (or such other persons as instructed by the successful applicants).

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 within 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 9,000,000 additional new Shares, representing 15% of the number of Shares initially available under the Offer, solely for the purpose of covering over-allocations in the Placing, if any. These new Shares will be issued at the Offer Price. In connection with the Offer, the Lead Manager may, at its option, also cover any over-allocations by, among other means, (i) the purchase of Shares in the secondary market, or (ii) stock borrowing from Star Master as mentioned below or (iii) exercise of the Over-allotment Option or (iv) by a combination of the above names. 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 Offer will represent approximately 33% of the enlarged issued share capital of the Company immediately after completion of the Capitalisation Issue and the 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 the Shares to be issued pursuant to the Over-allotment Option, Star Master has agreed with CSC that, if so requested by CSC, it will make available to CSC up to 9,000,000 Shares held by it way of stock borrowing arrangement to facilitate settlement of over-allocations in the Placing. 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 Star Master following six months from the date of listing of the 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 Star Master in relation to such stock borrowing arrangements; and

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- (iii) any Shares which may be made available to CSC pursuant to such arrangement will be made available on terms that the same number of Shares must be returned to Star Master no later than the third business day after the earlier of:
  - (a) the last day on which the Over-allotment Option may be exercised (i.e. 30 days from the date of this prospectus); and
  - (b) the date on which the Over-allotment Option is exercised in full.

This stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements. No payments will be made to Star Master by CSC in relation to such stock borrowing arrangement.

### STABILISATION

In connection with the Offer, the Lead Manager (for itself and on behalf of the other Underwriters) may over-allocate Shares and may cover such over-allocations under the Placing by means of exercising the Over-allotment Option in full or in part at any time no later than 30 days after the date of this prospectus or by stock borrowing, through CSC, from Star Master as mentioned above or by making open market purchases in the secondary market or a combination of these means. 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 9,000,000 Shares, which is 15% of the Shares initially available under the 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.

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### CONDITIONS OF THE OFFER

Acceptance of your application for Offer Shares is conditional upon:

#### **1. Listing**

The Listing Committee of the Stock Exchange 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 relating thereto.

#### **2. Underwriting agreement**

The obligations of the Underwriters to subscribe or purchase or procure subscribers or purchasers to subscribe for or purchase the Offer Shares are subject to termination if certain events, including force majeure, shall occur prior to 5:00 p.m. (Hong Kong time) on the day on immediately preceding the day of despatch of share certificates of the Offer Shares. These events include circumstances where:

If these conditions are not fulfilled on or before 27th 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 bankers or other bank or banks in Hong Kong licensed under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong.