

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

Based on the Offer Price of HK\$1.15 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee, a 0.005% SFC transaction levy and a 0.002% investor compensation levy, a total of HK\$2,323.28 is payable for every 2,000 Shares.

CONDITIONS OF THE SHARE OFFER

Acceptance of your application for the Public 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 on or before 30 December 2004; and

2. Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional, and not being terminated, prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Particulars of the Underwriting Agreement, its conditions and grounds for termination are set forth in the section headed “Underwriting arrangements and expenses” in this prospectus.

If any of the conditions is not fulfilled or waived on or before the times specified in paragraphs 1 and 2 above, the Share Offer will lapse and your application money will be returned to you, without interest. The terms on which your money will be returned to you are set out under the heading “Refund of your money” on 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(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 218,000,000 Offer Shares will be made available under the Share Offer, of which 196,200,000 Placing Shares, representing 90% of the Offer Shares, will conditionally be placed with professional, institutional investors and other investors under the Placing. The remaining 21,800,000 Public Offer Shares, representing 10% of the Offer Shares, will be offered to the public in Hong Kong under the Public Offer. Both the Placing and the Public Offer are subject to re-allocation on the basis described below.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Placing Underwriters and the Public Offer Underwriters have severally agreed to underwrite the Placing Shares and the Public Offer

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Shares, respectively, under the terms of the Underwriting Agreement. Further details of the underwriting and placing arrangements are set out under the section headed “Underwriting arrangements and expenses” in this prospectus.

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

BASIS OF ALLOCATION OF THE OFFER SHARES

The Share Offer comprises the Placing and the Public Offer.

The Placing

The Company is offering initially 152,600,000 New Shares and the Vendors are offering an aggregate 43,600,000 Sale Shares, in each case at the Offer Price under the Placing. The number of Placing Shares initially available for application under the Placing represents 90% of the total number of Offer Shares being offered under the Share Offer. The Placing is fully underwritten by the Placing Underwriters. Investors subscribing for or purchasing the Placing Shares are also required to pay the Offer Price plus a 1% brokerage, a 0.005% Stock Exchange trading fee, a 0.005% SFC transaction levy and 0.002% investor compensation levy.

It is expected that the Placing Underwriters, or selling agents nominated by them, on behalf of the Company and the Vendors, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional, institutional and other investors generally include high net worth individual 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 Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

The Company, the Directors, Lead Underwriter and all other Underwriters are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is subject to the conditions as referred to under “Conditions of the Share Offer” above.

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The Public Offer

The Company is initially offering 21,800,000 Public Offer Shares (subject to re-allocation) for subscription under the Application Forms by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares being offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus a 1% brokerage, a 0.005% Stock Exchange trading fee, a 0.005% SFC transaction levy and a 0.002% investor compensation levy.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 10,900,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee, the SFC transaction levy and the investor compensation levy thereon) or less. The Public Offer Shares available in pool B will consist of 10,900,000 Shares and will be allocated on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee, the SFC transaction levy and the investor compensation levy) and up to the total initial value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation 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 Placing so that, the total number of Shares available for subscription under the Public Offer will be increased to 65,400,000 Shares, representing 30% of the Offer Shares;
- (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 Placing so that, the total number of Shares available for subscription under the Public Offer will be increased to 87,200,000 Shares, representing 40% of the Offer Shares; and

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- (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 Placing so that, the total number of Shares available for subscription under the Public Offer will be increased to 109,000,000 Shares, representing 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 allocated to the Placing will be correspondingly reduced.

If the Public Offer is not fully subscribed, the Lead Underwriter 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 proportions as it deems 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 nor 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.

Allocation of the Public Offer Shares to investors 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, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares 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.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, the Company has granted to the Lead Underwriter the Over-allotment Option which is exercisable by the Lead Underwriter at any time within 30 days after the date of this prospectus. Pursuant to the Over-allotment Option, the Company may be required to issue up to and not more than an aggregate of 32,700,000 additional Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer), at the Offer Price, to cover over-allocations in the Placing, if any. If the Over-allotment Option is exercised in full, the additional 32,700,000 Shares will represent approximately 3.6% of the Company's issued share capital immediately after the completion of the Capitalisation Issue and the Share Offer as enlarged by the exercise of the Over-allotment Option. The Shares issued under the Over-allotment Option are to be issued on the same terms and conditions as the Shares under the Share Offer. If the Over-allotment Option is exercised, a press announcement will be made.

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STOCK BORROWING ARRANGEMENT

In connection with the Share Offer, the Lead Underwriter may over-allocate up to an aggregate of 32,700,000 additional Shares and cover such over-allocations in the Placing 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 exercise of the Over-allotment Option which is 15% of the Shares initially available under the Share Offer.

For the purpose of covering such over-allocations and/or stabilisation of the market price of the Shares, the Lead Underwriter may borrow up to 32,700,000 Shares from New Green Group Limited, equivalent to the maximum number of Shares to be allotted upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The lending of securities by New Green Group Limited to the Lead Underwriter will result in non-compliance by New Green Group Limited with Rule 10.07(1)(a) of the Listing Rules. The Company has applied for and the Stock Exchange has granted a waiver to the Company from strict compliance with Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by the controlling shareholders following the listing of the Shares, in order to allow New Green Group Limited to enter into and perform its obligations under the Stock Borrowing Agreement on the following conditions:

- the stock borrowing pursuant to the Stock Borrowing Agreement will only be effected by the Lead Underwriter for settlement of over-allocations in the Placing and for the purpose of stabilisation of the market price of the Shares;
- the maximum number of Shares borrowed from New Green Group Limited will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to New Green Group Limited no later than 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 date on which the Over-allotment Option is exercised in full;
- the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- no payments (other than reimbursement of the expenses incurred by New Green Group Limited in compliance with its obligations under the Stock Borrowing Agreement) will be made to New Green Group Limited by the Lead Underwriter under the Stock Borrowing Agreement.

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STABILISATION

In connection with the Share Offer, the Lead Underwriter as stabilizing manager or any person acting for it may over-allot and/or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such stabilising actions may include over-allocating Placing Shares and covering such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangements from holders of Shares and/or effecting transactions in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulatory requirements, to stabilise or maintain the market price of our Shares at the absolute discretion of the Lead Underwriter or any person acting for it at levels other than those which might otherwise prevail in the open market. However, there is no obligation on the Lead Underwriter or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period. Purchases in the market to cover over-allocations will be at prices that do not exceed the Offer Price.

The possible stabilising actions that the Lead Underwriter may take in relation to the Share Offer may involve, among other things, (i) over-allocation of Shares; (ii) establishing, hedging and liquidating positions in the Shares; (iii) exercising the Over-allotment Option in whole or in part; or (iv) offering or attempting to do any of the foregoing.

Potential investors should be aware of the following:

- (i) the Lead Underwriter may, in connection with the stabilising action, maintain a long position in the Shares;
- (ii) there is no certainty as to the extent to which and the time period for which the Lead Underwriter will maintain such a long position;
- (iii) in the case of liquidation of such a long position by the Lead Underwriter, the market price and liquidity of the Shares may be affected;
- (iv) the stabilisation action cannot be taken to support the price of any relevant securities for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the Listing Date, which is expected to fall on 8 January 2005, and after which, when no further stabilising action may be taken, demand for the Shares and therefore its price, could fall. A public announcement will be made within 7 days after the end of the stabilising period;
- (v) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

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- (vi) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transaction effected at a price below the price the investor has paid for the Shares.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. Stabilising actions 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, the price at which stabilization is effected is not permitted to exceed the Offer Price.

The proposed stabilization actions must comply with relevant requirements in the Securities and Futures (Price Stabilizing) Rules under the SFO and other relevant laws and regulations pursuant to paragraph 15(3)(a) of Appendix 1A of the Listing Rules.

TRANSFER OF THE SALE SHARES

All transfers of the Sale Shares to the successful applicants or their designated person(s) 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 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 issue of Share certificates to the successful applicants under the Share Offer or their designated person(s).