
STRUCTURE OF THE NEW ISSUE

PRICE PAYABLE ON APPLICATION

The New Shares are being offered at the Offer Price.

Investors will pay the Offer Price plus 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.007% transaction levy imposed by the Securities and Futures Commission amounting to a total of HK\$2,787.93 per board lot of 2,000 Shares.

CONDITIONS OF THE NEW ISSUE

The New Issue is conditional on:—

1. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the New Issue (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
2. the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by DBS Asia (acting for itself and on behalf of the Underwriters)) and not being terminated in accordance with its terms and conditions or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 11 July, 2002.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the New Issue will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the New Issue will be caused to be published by the Company in South China Morning Post in English and Hong Kong Economic Times in Chinese on the next day following such lapse. In such event, all application money will be returned, **WITHOUT** interest. The terms on which the application money will be returned are set forth under the heading “Refund of your application money” on the application forms. In the meantime, all application money will be held in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE NEW ISSUE

The New Issue comprises the Public Offer and the Placing. A total of 160,000,000 Shares will initially be made available under the New Issue, of which 136,000,000 New Shares, representing 85% of the New Shares initially available under the New Issue, will be conditionally placed with professional, institutional and individual investors in Hong Kong and certain other jurisdictions outside the United States under the Placing. The remaining 24,000,000 New Shares, representing 15% of the number of New Shares initially available under the New Issue, will be offered to members of the public in Hong Kong under the Public Offer. Both the Placing and the Public Offer are subject to reallocation on the basis described under the paragraph headed “The Public Offer”.

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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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Investors are free to select whether to apply for Shares under the Public Offer or the Placing, but may not apply under both of these tranches. In particular, applicants for Shares under the Public Offer cannot apply for Shares under the Placing and applicants who apply for Shares under the Placing may not apply for Shares under the Public Offer. Investors may only receive Shares under the Public Offer or the Placing but not both of these tranches. The Directors and DBS Asia (for itself and on behalf of the Underwriters), will take all reasonable steps to identify any multiple applications between Public Offer and Placing which are not allowed and are bound to be rejected.

In connection with the New Issue, the Company has granted the Over-allotment Option to DBS Asia, exercisable by DBS Asia, in its capacity as the lead manager of the New Issue, at any time and from time to time within 30 days after the date of this prospectus, subject to the terms of the Underwriting Agreement. Pursuant to the Over-allotment Option, the Company may be required to allot and issue, at the Offer Price, up to an additional 24,000,000 additional Shares, representing 15% of the number of New Shares initially being offered under the New Issue, to cover over-allocations in the Placing. If the Over-allotment Option is exercised in full, the New Shares will represent approximately 27.7% of the Company's enlarged issued share capital following completion of the New Issue, the Capitalisation Issue and the issue of the Over-allotment Shares. In the event that the Over-allotment Option is exercised, the Company will issue a separate announcement.

In order to facilitate settlement of the over-allocations under the Placing, if any, Inni International has agreed with DBS Asia that, if so requested by DBS Asia, it may, subject to the terms of the Stock Borrowing Agreement, make available to DBS Asia up to 24,000,000 Shares held by it to facilitate settlement of over-allocations in the Placing. **As a result of an application on behalf of the Company, the Stock Exchange has granted a waiver to the Company from strict compliance with Rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by the controlling shareholder following a new listing, in order to allow Inni International to enter into and perform its obligations under the Stock Borrowing Agreement on the conditions that:—**

- such stock borrowing arrangement with Inni International will only be effected by DBS Asia for settlement of over-allocations in the Placing;
- the maximum number of Shares borrowed from Inni International 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 Inni International or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full and the relevant Over-allotment Shares have been issued;

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- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- no benefits or payments will be made to Inni International by DBS Asia in consideration for the borrowed Shares.

Any stock borrowing under the Stock Borrowing Agreement shall be made in compliance with all applicable laws and regulatory requirements.

THE PUBLIC OFFER

The Company is initially offering 24,000,000 New Shares at the Offer Price, representing in aggregate 15% of the New Shares initially available under the New Issue, for subscription by members of the public in Hong Kong. The Public Offer is fully underwritten by the Public Offer Underwriters, subject to the terms and conditions of the Underwriting Agreement.

The Public Offer is open to all members of the public in Hong Kong. Persons allotted Shares under the Public Offer cannot apply for Shares under the Placing. The Public Offer will be subject to the conditions stated under “Conditions of the New Issue” above.

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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

If the Public Offer is not fully subscribed, DBS Asia, acting as the lead manager of the New Issue, will have the absolute discretion to reallocate Shares originally included in the Public Offer to the Placing in such number as they deem appropriate.

The total number of Public Offer Shares to be allotted and issued pursuant to the Public Offer may change as a result of the clawback arrangement referred to under “Over-subscription” below, any reallocation of unsubscribed Public Offer Shares originally included in the Public Offer to the Placing and any reallocation of the Placing Shares to the Public Offer as described under “The Placing” below.

Preference to employees

Up to 2,400,000 New Shares, being 10% of the Public Offer Shares initially offered under the Public Offer, are available for subscription by Hong Kong full-time employees of the Group (other than the Directors, chief executive of the Company, existing beneficial owner(s) of Shares and their respective Associates) on a preferential basis under the Public Offer. These Public Offer Shares will be allocated to eligible applicants on an equitable basis according to the number of Shares validly subscribed for by the full-time employees who have applied for such Shares in accordance with the terms set out under the section headed “How to apply for the Public Offer Shares” of this

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prospectus. Each eligible applicant will be allotted at least 2,000 Shares in the first allotment. For the balance, the allocation will be made on a pro-rata basis in proportion to the number of Shares being applied for. Any application made by any eligible full-time employee of the Group for more than 100% of the Public Offer Shares being offered to eligible full-time employees of the Group will be rejected.

Only Hong Kong employees of the Group may apply on a preferential basis.

Share offer mechanism — basis of allocation of the Public Offer Shares

Apart from the 2,400,000 Public Offer Shares made available for application by full-time employees of the Group in Hong Kong on a preferential basis, there will initially be a total of 21,600,000 Public Offer Shares available for subscription under the Public Offer under the **WHITE** and **YELLOW** application forms. 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 10,800,000 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 transaction levy imposed by the Securities and Futures Commission, the Stock Exchange trading fee and brokerage payable thereon) or less. The Public Offer Shares available in pool B will consist of 10,800,000 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 transaction levy imposed by the Securities and Futures Commission, the Stock Exchange trading fee and brokerage) and up to the total initial value of pool B.

If the Public Offer Shares initially set aside for preferential allotment to eligible employees of the Group are not fully subscribed, the unsubscribed Shares will be allocated equally between the two pools (so far as possible without involving fraction of a board lot of 2,000 Shares). Investors should be aware that 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.

Over-subscription

The number of the New Shares initially offered under the Public Offer and the Placing is subject to reallocation.

If the number of New Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the New Shares initially available for subscription under the Public Offer, then 24,000,000 New Shares will be reallocated to the Public Offer from the Placing, so that an aggregate of 48,000,000 New Shares will be available under the Public Offer, representing 30% of the New Shares initially available under the New Issue.

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If the number of New Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the New Shares initially available for subscription under the Public Offer, then 40,000,000 New Shares will be reallocated to the Public Offer from the Placing, so that an aggregate of 64,000,000 New Shares will be available under the Public Offer, representing 40% of the New Shares initially available under the New Issue.

If the number of New Shares validly applied for under the Public Offer represents 100 times or more the number of the New Shares initially available for subscription under the Public Offer, then 56,000,000 New Shares will be reallocated to the Public Offer from the Placing, so that an aggregate of 80,000,000 New Shares will be available under the Public Offer, representing 50% of the New Shares initially available under the New Issue.

Under-subscription

If the Public Offer is not fully subscribed for, DBS Asia (in its capacity as the lead manager of the New Issue) will have the discretion to reallocate all or any unsubscribed Shares originally included in the Public Offer to the Placing pursuant to the terms of the Underwriting Agreement.

THE PLACING

The Company is initially offering 136,000,000 New Shares at the Offer Price, representing in aggregate 85% of the total number of New Shares initially available under the New Issue, for subscription by professional, institutional and individual investors by way of Placing. The Placing is fully underwritten by the Placing Underwriter, subject to the terms and conditions of the Underwriting Agreement.

Pursuant to the Placing, it is expected that the Placing Underwriter or selling agents nominated by the Placing Underwriter on behalf of the Company shall place the Placing Shares at the Offer Price payable by the purchasers of the Placing Shares. Investors purchasing the Placing Shares are also required to pay 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.007% transaction levy imposed by the Securities and Futures Commission. Placing Shares will be placed with professional, institutional and individual investors in Hong Kong and certain other jurisdictions outside the United States. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and entities which regularly invest in shares and other securities.

In Hong Kong, retail investors should apply for the New Shares under the Public Offer, as retail investors applying for Placing Shares (including applying through banks and other institutions) are unlikely to be allocated any Placing Shares. If you are a professional, institutional or individual investor and have applied for the Placing Shares, you are required to declare that you have applied for the Placing Shares only. In such event, you will not receive any Shares under the Public Offer.

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All decisions concerning the allocation of Placing Shares to prospective placees pursuant to the Placing will be made on the basis of and by reference to 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 relevant investor is likely to buy further, and/or hold or sell its Placing Shares, after the listing of the Shares on the Main Board. 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 shareholders base to the benefit of the Company and its shareholders as a whole. In addition, the Directors and DBS Asia (for itself and on behalf of the Underwriters), will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

The total number of Placing Shares to be allocated may change as a result of the clawback arrangement referred to under "The Public Offer" above, any exercise of the Over-allotment Option and any reallocation to the Placing of all or any unsubscribed Shares originally included in the Public Offer.