



FRIEDLAND CAPITAL INC.
GUIDE TO AMERICAN DEPOSITARY RECEIPTS

With global economies increasingly intertwined, it shouldn't come as a surprise that large numbers of non-US corporations have sought access to the US capital markets and investors by listing their shares as American Depositary Receipts.

At the same time, American investors continue to show increasing interest in ADRs, which remain the simplest way to buy and sell non-US securities.

OVERVIEW

American Depositary Receipts (ADRs) are not actual shares of stock, but certificates representing shares. They're handled just like stocks, though. An ADR may represent one share, several shares or a fraction of a share, so its price may differ from that of the stock it represents.

ADRs gained widespread attention in the 1990s. They're nothing new, however. The first ADRs were set up in 1927 by the U.S. bank now known as J.P. Morgan Chase & Co. to facilitate US trading in the British department store chain, Selfridges Retail Ltd.

With continuing globalization, investors around the world are looking across their national borders to take advantage of new opportunities for capital growth and to add an element of geographic diversification to their portfolios by investing in international securities. At the same time, companies around the world are increasingly tapping international markets to enhance their global presence and raise capital abroad.

Like the capital markets themselves, the ADR has evolved in sophistication and in importance. Today the ADR is an instrument used widely by non-U.S. companies to offer and trade their shares conveniently and efficiently in the U.S. equity markets.

While the mechanics of cross-border investment flows are often complex, the American depositary receipt, or ADR, offers a convenient, easy-to-use avenue for adding global exposure to U.S. portfolios.

In 2003 more than 2,000 ADRs issued by companies in 79 countries were available to U.S. investors. About 500 of them were listed on the New York Stock Exchange, American Stock Exchange or Nasdaq. Others trade on the US over-the-counter market.

While the mechanics of cross-border investment flows are often costly and complex, American Depositary Receipts (ADRs) offer US investors a convenient, easy-to-use strategy for gaining international equity exposure, and offer non-US companies access to the US financial markets.



DEFINITION

An American Depositary Share ("ADS") is a U.S. dollar denominated form of equity ownership in a non-U.S. company. It represents the foreign shares of the company held on deposit by a custodian bank in the company's home country and carries the corporate and economic rights of the foreign shares, subject to the terms specified on the ADR certificate.

An ADR is a negotiable instrument that represents an ownership interest in securities of a non-US company. ADRs enable investors to invest in non-US securities without concern for often complex and expensive cross-border transactions, and offer substantially the same economic, corporate and voting rights enjoyed by domestic shareholders of the non-US issuer.

ADRs are quoted and traded in US dollars, and are settled according to procedures governing the US market. To the extent dividends are paid on the underlying securities, ADRs pay dividends in US dollars.

ADRS PROVIDE INVESTORS WITH A CONVENIENT WAY TO INVEST INTERNATIONALLY

ADRs provide U.S. investors with a convenient way to invest in non-U.S. securities without having to worry about the complex details of cross-border transactions.

They provide the same economic benefits enjoyed by the domestic shareholders of the non-U.S. company. Each ADR is backed by a specific number or fraction of shares in the non-U.S. company. The relationship between the number of ADRs and the number of foreign shares is typically referred to as the ADR ratio.

ADRS ARE LISTED OR TRADED IN THE US

ADRs can be listed on any of the U.S. exchanges, such as the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX), or Nasdaq. They can also be traded on the OTC Bulletin Board or in the over-the-counter “Pink Sheets.” ADRs can also be privately placed and traded as Rule 144A securities.

Finally, the concept of the ADR has been extended to other geographical markets, resulting in global depository receipts (GDRs), international depository receipts (IDRs), and European depository receipts (EDRs), which are generally traded or listed in one or more international markets.

BENEFITS FOR COMPANIES IN ISSUING ADRS

Companies issuing ADRs have found that the ADRs provide numerous advantages, in two main categories, financial advantages and commercial advantages, including:

- Broadening and diversifying a company's US investor base
- Enhancing a company's visibility, status and profile in the US and internationally, among investors, consumers and customers
- Increasing US liquidity, and potentially total global issuer liquidity by attracting new investors
- Developing and/or increasing institutional research coverage in the United States
- Offering a new avenue for raising equity capital, often at highly competitive rates (depending on the ADR program selected)
- Enhancing communications with shareholders in the United States
- Facilitating the creation of incentives for US employees including stock purchase and option plans
- By enabling a company to tap U.S. equity markets, the ADR offers a new avenue for raising capital, often at highly competitive costs. For companies with a desire to build a stronger presence in the United States, an ADR program can help finance U.S. initiatives or facilitate U.S. acquisitions.

- ADRs provide an easy way for U.S. employees of non-U.S. companies to invest in their companies' employee stock purchase plans.
- Features such as dividend reinvestment and direct purchase programs can help ensure a continual stream of investment into an issuer's program.
- Enabling the issuing company to broaden the market for its shares through a more diversified exposure, which often can increase or stabilize the company's share price.
- Enhancing the company's image and that of its products, services or securities in the United States.
- Facilitating acquisitions utilizing ADRs as part or all of the acquisition currency.

BENEFITS FOR INVESTORS

With continued globalization, increasingly American investors aim to diversify their portfolios globally. There are many obstacles that preclude many institutional and individual investors from purchasing foreign equities. These include undependable settlements, unreliable custody services for foreign securities, costly currency conversions, poor information flow, confusion tax issues, and unfamiliar market practices.

The core benefit for investors - individuals and institutions alike - is that ADRs make it easy to purchase and hold a non-U.S. issuer's securities.

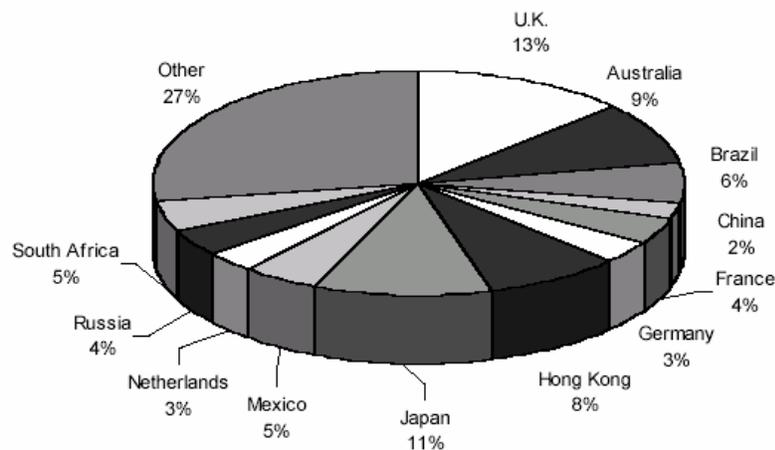
Benefits to US individual and institutional investors include:

- As US securities, ADRs are quoted in US dollars.
- ADRs trade easily and conveniently in U.S. dollars and settle through U.S. clearinghouses.
- Publicly traded ADRs are registered with the U.S. Securities and Exchange Commission (SEC).
- For companies that typically pay dividends, ADRs mean those dividends are paid promptly in U.S. dollars at competitive foreign exchange rates.
- Many institutional investors are restricted from investing in securities that do not trade on a U.S. exchange, so listed ADRs represent a way to add international exposure to a portfolio.

- ADRs overcome many of the obstacles that institutional investors, including mutual funds, pension funds have in purchasing and holding securities outside the United States.
- Typical global custodian safekeeping charges for holding foreign securities are eliminated, saving ADR investors money.
- ADRs are as liquid as the underlying securities, as the two are interchangeable.

PERCENTAGE OF ALL DEPOSITARY RECEIPT PROGRAMS BY COUNTRY

For the period ending June 30, 2003



ADR PROGRAM TYPES

SPONSORED AND UNSPONSORED ADR PROGRAMS

Issuers seeking the benefits of ADRs generally pursue what are called sponsored ADR programs. They initiate the process and, working with a depositary bank, actively manage the program going forward.

The issuer benefits by making a strategic foray into the U.S. market, controlling its image and reputation in the capital markets. In general, only sponsored ADRs can be listed on the major stock exchanges or quoted under the Nasdaq system. While most new ADR programs are sponsored, many unsponsored programs (in which the ADRs are created and offered to investors without a company's active participation) still exist.

THE VARIOUS TYPES OF SPONSORED ADR PROGRAMS

Issuers can choose from four different types of sponsored ADR programs, each with its own set of benefits as well as its own set of legal and regulatory requirements: Level I, Level II, Level III, and Rule 144A/GDR.

In general, American Depositary Receipts are used for two objectives: raising new capital, or increasing US ownership of shares already issued and trading in the market. There are three basic ADR types, or “levels” as they are usually referred to, designed to achieve a company’s objectives.

	Level I	Level II
Description	Unlisted program in the U.S.	Listed on a U.S. exchange
Trading	OTC	Amex Nasdaq NYSE
SEC Registration	Register under Form F-6	Register under Form F-6
U.S. Reporting Requirements	Exempt under Rule 12g3-2(b)	Form 20-F*

*Financial statements must be partially reconciled to U.S. GAAP

LEVEL I ADRS

Level I ADRs are the simplest method for companies to access the US capital markets. Level I ADRs are traded in the over-the-counter (OTC) market, with bid and ask prices published daily and distributed by the National Daily Quotation Bureau in the pink sheets. The issuing company does not have to comply with US Generally Accepted Accounting Principles (GAAP) or provide US Securities and Exchange Commission (SEC) disclosure.

Level I ADRs essentially enable a company to obtain the benefits of a US publicly traded security without altering their current reporting process. Level I DRs account for more than 60% of the US ADRs.

Companies that have Level I ADR programs, can “migrate” to a Level II or Level III ADR program if they desire to trade on the New York Stock Exchange, the American Stock Exchange, Nasdaq or the OTC Bulletin Board, or if the company desires to raise capital directly in the United States.

Level I ADR programs currently require minimal SEC registration: The issuer seeks exemption from the SEC's traditional reporting requirements under Rule 12g3-2(b). With that exemption, the company agrees to send to the SEC summaries or copies of any public reporting documents required in its home

market (including documents for regulatory agencies, stock exchanges, or direct shareholder communications). The depository bank, working with the issuer, also files the Form F-6 registration statement with the SEC in order to establish the program.

LEVEL II ADRS

Level II ADRs enable companies to list their ADRs on Nasdaq, the American Stock Exchange, the New York Stock Exchange and the OTC Bulletin Board, thereby offering higher visibility in the U.S. market, more active trading, and greater liquidity.

Level II ADRs require full registration with the Securities and Exchange Commission. Companies must also meet the listing requirements of the appropriate stock exchange.

Level II ADRs require a Form 20-F and Form F-6 to be filed with the SEC, as well as meeting the listing requirements and filing a listing application with the designated stock exchange. Upon F-6 effectiveness and approval of the listing application, the ADRs begin trading.

Level II ADR programs must comply with the full registration and reporting requirements of the SEC's Exchange Act, which entails the following:

- Form F-6 registration statement, to register the ADRs to be issued
- Form 20-F registration statement, which contains detailed financial disclosure about the issuer, including financial statements and a reconciliation of those statements to U.S. GAAP, to register the listing of the ADRs
- Annual reports and any interim financial statements submitted on a regular, timely basis to the SEC

Level III ADRs

Level III ADRs enable to companies to list their ADRs on Nasdaq, the Amex, the New York Stock Exchange or the OTC Bulletin Board, and make a simultaneous public offering of ADRs in the United States.

In the most high-profile form of sponsored ADR program, Level III, an issuer floats a public offering of ADRs in the United States and lists the ADRs on one of the U.S. exchanges or Nasdaq. The benefits of a Level III program are substantial: It allows the issuer to raise capital and leads to much greater visibility in the U.S. market.

Level III ADR programs must comply with various SEC rules, including the full registration and reporting requirements of the SEC's Exchange Act. This entails the following:

- Form F-6 registration statement, to register the ADRs
- Form 20-F registration statement, an annual filing that contains detailed financial disclosure from the issuer, including
 - Form F-1, to register the equity securities underlying the ADRs that are offered publicly in the U.S. for the first time, including a prospectus to inform potential investors about the company and the risks inherent in its businesses, the offering price for the securities, and the plan for distributing the shares
 - Annual reports and any interim financial statements submitted on a regular, timely basis to the SEC and to all registered public shareholders

RULE 144A ADRS

Many companies seek to raise capital in the U.S. markets privately by issuing restricted securities under Rule 144A, which do not require SEC review. Rule 144A facilitates the trading of privately placed securities by sophisticated institutional investors (also known as Qualified Institutional Buyers, or QIBs; they must own or manage at least \$100 million in securities).

GLOBAL DEPOSITARY RECEIPTS (GDRS)

GDRs allow issuers to raise capital in two or more markets simultaneously, thus broadening their shareholder base. They can be settled outside the U.S. (using a link connecting the two major European clearance and settlement facilities, Euroclear and Cedel, with the major U.S. clearance and settlement facility, the Depository Trust Company, or DTC) and can be traded in the Rule 144A private market. Under SEC Regulation S, securities offered or sold to investors outside the U.S. are not subject to SEC registration requirements.

RAISING CAPITAL WITH ADRs

	Public Offering Level III	Private Placement Rule 144A ADR	Global Offering (GDR)
Description	Shares offered and listed on a U.S. exchange	Private placement to Qualified Institutional Buyers	Global offering of securities outside issuer's home market
Trading	Amex Nasdaq NYSE	U.S. private placement market	U.S. exchanges Non U.S. exchanges
SEC Registration	Register under Forms F-1 and F-6	None	Varies depending on structure of the U.S offering
U.S. Reporting Requirements	Form 20-F*	Exempt under Rule 12g3-2(b)	Varies depending on structure of the U.S. offering

*Financial statements must be partially reconciled to U.S. GAAP

PROCEDURES AND MECHANICS OF ISSUING ADRs

ADRs are issued by a US bank, such as J. P. Morgan or The Bank of New York, which functions as a depository, or stock transfer and issuing agent for the ADR program.

The foreign, or local shares, remain on deposit with the Depository's custodian issuer's home market.

Each ADR is backed by a specific number of an issuer's local shares (e.g. one ADR representing one share, one ADR representing ten shares, etc.) This is the ADR ratio, which is designed to set the price of each ADR in US dollars.

Financial information, including annual reports and proxies are delivered to US holders on a consistent basis by the Depository. The dividends are converted into dollars and paid to ADR holders by the Depository.

KEY COMPONENTS OF A SUCCESSFUL ADR PROGRAM

Successful ADR programs are actively traded and widely held. They typically share the following attributes:

- Attractive market, industry and equity story
- Active communication of the story to US investors

- Investor friendly ADR structure (ratio of shares to ADRs)
- Research and market-making by US investment banks and brokers

APPROXIMATE TIMING FOR LEVEL I AND LEVEL II ADRs

Function associated with ADR type:	Item	Start	Completion	Party Responsible
1, 2	Appoint Depositary Bank and US legal counsel	Week 1	Week 1	Friedland Capital & Company
1	Preparation and submission of 12g3-2(b) exemption to the SEC	Week 1	Week 3	Friedland Capital, Company & Counsel
2	Preparation of the form 20F	Week 1	Week 12	Friedland Capital, Company and Counsel
1	Drafts of Deposit Agreement and F-6 submitted by Depositary Bank to Company for review	Week 2		Depositary Bank & its Counsel, Friedland Capital, Company & Counsel
1	Cusip number is requested from Standard & Poors for the sponsored certificates	Week 3	Week 3	Depositary Bank
1	Drafts of American Depositary Receipt (ADR) certificates are prepared	Week 6	Week 6	Depositary Bank
1	SEC grants 12g3-2(b) exemption	Week 6	Week 6	

1	ADR Deposit Agreement and F-6 finalized and filed with the SEC.	Week 6	Week 6	Depository Bank, Friedland Capital & Company
1	SEC declares F-6 effective	Week 9	Week 9	The SEC
1	ADR certificates are ordered	Week 9	Week 9	Depository Bank
1	Exchange, National Association of Securities Dealers and Depository Trading Company are notified of trading date.	Week 9	Week 9	Depository Bank
1	Trading of ADRs commences	Week 10	Ongoing	All parties
1	Broker Notifications are mailed	Week 10	Week 10	The Bank of New York
1	ADR Announcement Letters are mailed to institutional investors, research analysts and investment advisors	Week 10	Week 10	Depository Bank
2	New Deposit Agreement and altered F-6 re-submitted by Depository Bank to Company for review	Week 12	Week 12	Depository Bank and Counsel; Friedland Capital, Company and Counsel
2	Submission of Form 20-F	Week 12	Week 14	Friedland Capital, Company and Counsel
2	New CUSIP number is requested from Standard & Poors	Week 13	Week 13	Depository Bank
2	Exchange Listing Agreement finalized	Week 13	Week 13	All parties
2	Drafts of ADR certificates are prepared	Week 14	Week 16	Depository Bank

2	Deposit Agreement and F-6 are finalized and filed with the S.E.C.	Week 16	Week 16	Friedland Capital, Depository Bank and Company
2	SEC grants 20-F effectiveness	Week 16	Week 16	
2	SEC grants F-6 effectiveness	Week 19	Week 19	
2	Exchange, National Association of Securities Dealers and Depository Trading Company (DTC) are notified of trading date of new ADRs.	Week 19	Week 19	Depository Bank
2	DTC fast eligibility	Week 19	Week 19	Depository Bank
2	Trading of ADRs commences	Week 20	Ongoing	All parties
2	ADR Announcement Letter mailed to institutional investors, research analysts and investment advisors	Week 20	Week 20	Depository Bank
2	Tombstone placed in the appropriate newspapers and publications	Week 20	Week 20	Depository Bank



FRIEDLAND CAPITAL INC.

14 Wall Street • 20th Floor • New York, NY 10005 USA
Tel. 1-212-757-9454 • Fax 1-212-202-4436

36 Steele Street • Suite 10 • Denver, CO 80206 USA
Tel. 1-303-355-6566 • Fax 1-303-355-7176

1150-520 Burrard Street • Vancouver, BC Canada V6C 2G8
Tel. 1-604-685-1250 • Fax 1-604-685-1251

Jianwai SOHO • Building 1 • Suite 1001 • 4 Jianwai Road
Chaoyang District • Beijing, PRC 100004
Tel. 86-10-5869-4791 • Fax 86-10-5869-0353

Friedland Capital's Web Sites

Friedland Capital Web Site: www.friedlandcapital.com
Friedland Capital Events Web Site: www.friedlandcapitalevents.com
Friedland Media: www.friedlandmedia.com
Friedland Capital's China Operations: www.friedlandchina.com
Friedland Capital's Web Site for its Investment Advisor Events: www.investmentadvisorevents.com
Friedland Corporate Finance News: www.friedlandfinancingnews.com
Friedland ADR News: www.friedlandadrnews.com
Herd on the Street: www.herdonthestreet.com
Your Money Television: www.yourmoney.tv

Email Inquiries:

info@friedlandcapital.com

Information herein is believed to be reliable, but Friedland Capital does not warrant its completeness nor accuracy. Opinions constitute our judgment and are subject to change without notice. Additional information is available upon request.

Copyright © 2005, Friedland Capital Inc.