
STRUCTURE AND CONDITIONS OF THE PLACING

DETERMINING THE ISSUE PRICE

The Issue Price is expected to be fixed on or around 19th July, or on a date which is no later than 21st July, 2000 by agreement between Vickers (on behalf of the Underwriters) and the Company with reference to market demand for the Shares.

If Vickers (on behalf of the Underwriters) and the Company are unable to reach agreement on the Issue Price on or before 9:00 a.m. on 21st July, 2000, the Placing will not become unconditional and will not proceed.

An announcement of the Issue Price is expected to be published on or about Friday, 21st July, 2000.

CONDITIONS OF THE PLACING

Acceptance of all applications for the Placing Shares are conditional upon:

- (i) the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional which requires, amongst others, that the Issue Price be duly determined and the Price Determination Agreement be entered into between Vickers (on behalf of the Underwriters) and the Company on the Price Determination Date and such obligations under the Underwriting Agreement not being terminated in accordance with its terms 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). Details of the Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed "Underwriting" of this prospectus.

The Placing

The Company is initially offering 120,000,000 Shares for subscription by way of the Placing. The Placing is fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement.

Assuming an initial placing of 120,000,000 Shares, the Placing will represent 20% of the Company's enlarged issued share capital immediately after completion of the Placing, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Placing Shares together with the Over-allotment Shares will represent approximately 19.4% of the enlarged issued share capital of the Company immediately after completion of the Placing and the exercise of the Over-allotment Option. The net proceeds from the issue of the Placing Shares, assuming that the Over-allotment Option is not exercised, and after deducting related expenses, are estimated to be approximately HK\$143.3 million. If the Over-allotment Option is exercised in full, the Company will receive additional net proceeds of approximately HK\$23 million (based on an Issue Price of HK\$1.33 per Share, being the higher end of the stated range of the Issue Price), after deducting brokerage, commission and expenses attributable to the exercise of the Over-allotment Option.

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Pursuant to the Placing, the Underwriters or selling agents nominated by the Underwriters on behalf of the Company shall place the Placing Shares at the Issue Price payable by the subscribers of the Placing Shares. Investors subscribing for the Placing Shares are also required to pay 1% brokerage and 0.01% Stock Exchange transaction levy. A total of not more than 6,000,000 Placing Shares, representing 5% of the total number of Shares initially being offered under the Placing, will be available for full-time employees of the Group (other than the Directors or the chief executives of the Company or the existing beneficial owners of Shares or an associate of any of them) under the Placing on a preferential basis as to allocation only. The balance of the Placing Shares (including Placing Shares not being applied for by such full-time employees) are expected to be placed with professional and institutional investors and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in securities.

Allocation of Placing Shares to professional and institutional investors will be based on a number of factors, including the investment horizon of the investors, the level and timing of demand and whether or not it is expected that the investor is likely to acquire further Shares, and/or hold or sell its Shares, after the listing of the Shares on GEM. 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 for the benefit of the Company and its shareholders as a whole.

OVER-ALLOTMENT OPTION

Pursuant to the Underwriting Agreement, the Company has granted to Vickers a right (but not an obligation) to exercise the Over-allotment Option, which is exercisable no earlier than the Price Determination Date and will expire at 5:00 p.m. on 24th August, 2000, to require the Company to issue up to an aggregate of 18,000,000 additional Shares, representing 15% of the number of Shares initially available under the Placing. These Shares will be issued at the Issue Price for the purpose of covering over-allocations in the Placing, if any.

In order to facilitate settlement of over-allocations in connection with the Placing pending exercise of the Over-allotment Option, a stock borrowing arrangement has also been entered into between Vickers and SHI.

Pursuant to this arrangement, SHI has agreed that, if so requested by the Vickers, SHI will lend to Vickers up to 18,000,000 Shares on the following terms:

- (i) the borrowed Shares will only be used to settle over-allocations in the Placing; and
- (ii) the same number of Shares must be returned to SHI, no later than three business days following the earlier of (a) the date on which the Over-allotment Option is exercised in full and (b) the last day on which the Over-allotment Option may be exercised and redeposited with an escrow agent as soon as practicable.

An application has been made to the Stock Exchange for a waiver from strict compliance with Rule 13.16 of the GEM Listing Rules which restricts the disposal of Shares by SHI for the period of two years from the date of listing of the Shares on GEM (which has been granted to

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the effect that such period and details of such waiver are set out in the section headed “Waivers from compliance with the GEM Listing Rules” in this prospectus), in order to allow SHI to enter into this stock borrowing arrangement. Vickers may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or by a combination of purchases in secondary market and exercise of the Over-allotment Option either in part or in full. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STABILISATION

In connection with the Placing, Vickers may over-allot up to an aggregate of 18,000,000 additional 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 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 Issue Price. Any such over-allocation purchase transactions will be made in compliance with all applicable laws.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid 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 issue prices of the securities. 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.

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. Should stabilising transactions be effected in connection with the distribution of the Placing Shares, they will be done at the absolute discretion of Vickers. The stabilisation price to cover the over-allocation will not normally be higher than the Issue Price. Relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the GEM is expected to commence on Monday, 24th July, 2000.

Shares will be traded in board lots of 2,000 Shares.

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SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on GEM, as well as the compliance with the stock admission requirements of Hongkong Clearing, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or on any other date Hongkong Clearing chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.