
PLACING STRUCTURE AND EXPENSES

THE PLACING

The Company is initially offering 30,000,000 Placing Shares at the Placing Price for subscription by way of placing. The 30,000,000 Placing Shares initially offered in the Placing will represent 40% of the issued share capital of the Company immediately following the completion of the Placing. In addition, the Company has granted to Oriental Patron the Over-allotment Option, exercisable by Oriental Patron at any time within 30 days from the date of this prospectus, to require the Company to issue up to an aggregate of 4,500,000 additional Shares, representing 15% of the Placing Shares initially offered in the Placing, on the same terms as those applicable under the Placing to cover over-allocations in the Placing. Oriental Patron may also cover such over-allocation by purchasing Shares in the secondary market and/or by obtaining or purchasing Shares from sources as Oriental Patron may deem appropriate (which may include stock borrowing arrangements) and/or by exercising the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations and will not exceed 4,500,000 Shares. If the Over-allotment Option is exercised in full, the Placing Shares will represent approximately 43.4% of the issued share capital of the Company immediately following the completion of the Placing and exercise of the Over-allotment Option. The Placing is managed by Oriental Patron on a best effort basis and is not underwritten.

PLACING PROCEEDS

The net proceeds from the issue of the Placing, based on the minimum amount of \$35.4 million being raised under the Placing, assuming that the Over-allotment Option is not exercised, and after deducting related expenses, are estimated to be approximately \$27.1 million. If the Over-allotment Option is exercised in full, the Company will receive additional net proceeds of approximately \$5.1 million, after deducting brokerage, commission and expenses attributable to the exercise of the Over-allotment Option.

INVESTOR PROFILE

Under the Placing, Oriental Patron or selling agents nominated by it will conditionally place the Placing Shares with investors, which may include individual, professional and institutional investors, in Hong Kong and certain jurisdictions outside Hong Kong, in each case identified by Oriental Patron or selling agents nominated by it and in compliance with all applicable securities laws. No more than 20% of the Placing Shares will be made directly available to the general public.

BASIS OF ALLOCATION

Allocation of Placing Shares to investors pursuant to the Placing is 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 buy further Shares, or hold or sell its Shares, after the listing of the Shares on GEM. Such allocation is generally intended to result in a distribution of the Placing Shares or the establishment of a broad shareholder base to the benefit of the Company and its Shareholders as a whole.

No preferential treatment in relation to the allocation and pricing of the Placing Shares will be given to (1) the existing Shareholders or Directors and their respective associates or (2) the employees of the Group or (3) Oriental Patron or its associates.

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MINIMUM PUBLIC FLOAT

As the 30,000,000 Placing Shares initially offered in the Placing will represent 40% of the issued share capital of the Company immediately following the completion of the Placing and Capitalisation Issue (assuming the Over-allotment Option is not exercised), the Company is required under the GEM Listing Rules to maintain at all times after its listing on GEM a public float of at least 20% of its issued share capital from time to time.

PLACING ARRANGEMENTS

Placing Agreement

The Company has entered into the Placing Agreement with, inter alios, Oriental Patron. Oriental Patron has agreed on a best effort basis to procure subscribers for the Placing Shares on the terms and conditions as set out in the Placing Agreement (subject to adjustment as described herein).

Oriental Patron has been granted the Over-allotment Option, exercisable by Oriental Patron for a period of 30 days from the date of this prospectus.

Grounds for termination

The obligations of Oriental Patron to procure subscribers for the Placing Shares on a best endeavour basis are subject to termination if any of the following events shall occur at any time prior to 9:00 a.m. (Hong Kong time) on 21st January, 2000, or such later time or date as may be agreed by Oriental Patron and the Company (in case the Placing Price is not determined on or before 17th January, 2000), but in any event not later than 9:00 a.m. (Hong Kong time) on 8th February, 2000:

- (a) any material breach of any of the Warranties (as defined in the Placing Agreement) comes to the knowledge of Oriental Patron or there has been a material breach of any other provision of the Placing Agreement or Oriental Patron has reasonable cause to believe that any such breach has occurred;
- (b) any event, which if it had occurred before the date of the Placing Agreement would have rendered any of the Warranties (as defined in the Placing Agreement) untrue, incorrect or misleading in any material respect, comes to the knowledge of Oriental Patron;
- (c) any material statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any respect;
- (d) matters have arisen or have been discovered which would, if this prospectus was to be issued at that time, constitute a material omission therefrom;
- (e) there is any material adverse change in the business or in the financial or trading position of any member of the Group which in the reasonable opinion of Oriental Patron is material in the context of the Placing; or
- (f) there shall have occurred, happened or come into effect any event or series of events concerning or relating to or otherwise having an effect on, or any change in, local, national or international financial, political, military, industrial, economic, legal, fiscal, regulatory or stock market matters or conditions or currency exchange rates or exchange controls

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which will or may in the reasonable opinion of Oriental Patron be materially adverse to or materially prejudicially affect the Group or its prospects or the Placing or the success thereof.

EXPENSES

Oriental Patron will receive a placing commission of 3.5% on the Placing Price of all the Placing Shares.

The placing commission, listing fees, Stock Exchange transaction levy, legal and printing and other professional fees and other expenses relating to the Placing are estimated to amount to approximately \$8.3 million in total (based on the minimum amount which the Placing must be raised and assuming the Over-allotment Option is not exercised) and are payable by the Company.

Oriental Patron or its nominee will also be allotted the Remuneration Shares, being 2,025,000 Shares, as part consideration for the services provided or to be provided by Oriental Patron as referred to in the Placing Agreement. The Remuneration Shares represent approximately 2.7% of the issued share capital of the Company immediately after the completion of the Placing and Capitalisation Issue (assuming the Over-allotment Option is not exercised).

FIXING OF PLACING PRICE

The Placing Price will be determined in Hong Kong by Oriental Patron and the Company on or before 17th January, 2000, or such later date as may be agreed by Oriental Patron and the Company, but in any event not later than 1st February, 2000.

If, for any reason, the Placing Price is not determined on or before 17th January, 2000, the expected listing timetable will be postponed, but in any event the expected date of commencement of dealings in the Shares on GEM will not be later than 9th February, 2000.

If, for any reason, Oriental Patron and the Company are unable to reach agreement on the Placing Price by 17th January, 2000, or such later date as may be agreed by Oriental Patron and the Company, but in any event not later than 1st February, 2000, the Placing will not proceed.

PRICE PAYABLE ON SUBSCRIPTION

Placing Price plus 1% brokerage and a 0.011% Stock Exchange transaction levy make up the total price payable on subscription.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

1. Listing

The GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued under the Placing and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and upon the exercise of options granted under the Share Option Scheme on GEM (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on GEM).

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2. Placing Agreement

The obligations of Oriental Patron under the Placing Agreement becoming unconditional and not being terminated at any time prior to 9:00 a.m. (Hong Kong time) on 21st January, 2000, or such later date as may be agreed by Oriental Patron and the Company in accordance with the terms of that agreement or otherwise.

3. Determination of Placing Price

The Placing Price being determined by the Company and Oriental Patron no later than 17th January, 2000 or such later date as may be agreed by Oriental Patron and the Company, but in any event not later than 1st February, 2000.

4. Minimum Subscription

A minimum amount of \$35.4 million being raised under the Placing and the relevant consideration being received before the commencement of dealings in the Shares on GEM.

If any of these conditions is not fulfilled on or before 21st January, 2000, or such later date as may be agreed by Oriental Patron and the Company (in case the Placing Price is not determined on or before 17th January, 2000), but in any event not later than 8th February, 2000, the Placing will not proceed and all monies paid by the investors under the Placing will be returned without interest. The terms on which monies will be returned are set out under the placing letter in respect of the Placing.

Pursuant to section 342B(1) of the Companies Ordinance, it shall not be lawful for any person to issue, circulate or distribute in Hong Kong this prospectus if it does not have the effect, where an application is made in pursuance thereof, of rendering all persons concerned bound by all the provisions of sections 44A and 44B of the Companies Ordinance so far as applicable. Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application in pursuance of the prospectus will be void if permission for listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of the closing of the subscription lists or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange. According to the timetable set out in the section headed "Expected Timetable" in this prospectus, no allotment of Shares shall be made before 20th January, 2000.