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# UNDERWRITING

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## UNDERWRITERS

Luen Fat Securities Company Limited  
Grand Vinco Capital Limited  
Sanfull Securities Limited  
Sino Grade Securities Limited  
Sun Hung Kai International Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Placing Shares under the Placing at the Placing Price to professional, institutional and private investors on and subject to the terms and conditions of this prospectus.

In addition, the Company has granted the Offer Size Adjustment Option to the Underwriters exercisable by the Lead Manager (on behalf of the Underwriters) at any time at or before 12:00 noon on 10 October 2005 (i.e. the business day immediately before the date of announcement of the level of indication of interest in the Placing) to require the Company to allot and issue up to an aggregate of additional 6,300,000 Share under the same terms of the Placing, representing 15% of the Shares initially available under the Placing, at the Placing Price.

Subject to, amongst other things, the GEM Listing Committee granting listing of, and permission to deal in, all the Shares to be issued as mentioned in this prospectus including the Shares to be issued pursuant to the Offer Size Adjustment Option on or before 4 November 2005, or such later date as the Company and the Lead Manager (on behalf of the Underwriters) may agree in writing, the Underwriters have severally agreed to subscribe for or procure placees to subscribe for, subject to the terms and conditions of the Placing, the Placing Shares.

### Grounds for termination

The respective obligations of the Underwriters to subscribe for or procure placees to subscribe for the Placing Shares are subject to termination and the Underwriters are entitled to terminate their obligations under the Underwriting Agreement upon the occurrence of any of the following events by notice in writing to the Company given by the Lead Manager (on behalf of the Underwriters) at any time at or prior to 8:00 a.m. on the Listing Date:

- (a) if there shall develop, occur, exist or come into effect:
  - (i) any material adverse change or prospective material adverse change in the business or in the financial or trading position of the Group; or
  - (ii) any change in or any event or series of events resulting in any change in or development of local, national or international financial, political, economic, military, industrial, legal, fiscal, regulatory, stock market, currency, equity, exchange control,

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- regulatory or market or other conditions (including without limitation the imposition of any moratorium, suspension or restriction on commercial banking activities in Hong Kong or any other jurisdiction(s) which has material adverse effect on the Group or on trading in securities generally on the Stock Exchange or any stock exchange); or
- (iii) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the U.S., the Cayman Islands or BVI or any other jurisdiction(s) which has material adverse effect on the Group; or
  - (iv) the imposition of any economic sanction or withdrawal of trading privileges in any manner by the U.S. or the European Union (or any of its members) or any other country or organisation on Hong Kong, the PRC, the Cayman Islands or BVI which has material adverse effect on the Group; or
  - (v) any change or development involving a prospective change in taxation or exchange controls (or the implementation of any exchange control) or foreign investment regulations in Hong Kong, the PRC, the Cayman Islands, BVI or any other jurisdiction(s) which has material adverse effect on the Group; or
  - (vi) any event or series of events of force majeure including, without limitation, any act of government, act of God, act of war, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome and other viruses of an epidemic nature), terrorism, strike or lock-out; or
  - (vii) any litigation or claim of any third party being threatened or instituted against the Company and/or any other member of the Group which has or could be expected to have a material adverse effect on the Company or the Group taken as a whole; or
  - (viii) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar; or
  - (ix) a petition presented for the winding-up or liquidation of the Company or any other member of the Group or the Company or any other member of the Group making any composition or arrangement with their creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of the Company or any other member of the Group or a provisional liquidator, receiver or manager being appointed over all or a majority of the assets or undertaking of the Company or any other member of the Group or anything analogous thereto occurring in respect of the Company or any other member of the Group;

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and any such event which, in each case, in the sole and reasonable opinion of the Lead Manager (for itself and on behalf of the Underwriters):

- (i) is or will be, or is likely to be, materially adverse to the business, financial or trading condition or prospects of the Group taken as a whole or in the case of a change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Cayman Islands, the BVI, the PRC, Hong Kong or any other jurisdiction which has material adverse effect on the Group or any manner thereof, is or will or is likely to be materially adverse to any present or prospective shareholder of the Company in his capacity as such; or
  - (ii) has or will have or is likely to have a material adverse effect on the success of the Placing as a whole; or
  - (iii) for any other reason makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Placing as a whole; or
- (b) if there comes to the notice of the Lead Manager that:
- (i) any statement contained in this prospectus was, when this prospectus was issued, or has become untrue, incorrect or misleading in any material respect; or
  - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom considered by the Lead Manager in its sole and reasonable opinion (on behalf of the Underwriters) to be material in the context of the Placing; or
  - (iii) any of the warranties under the Underwriting Agreement (“the Warranties”) is untrue, inaccurate or misleading in any respect when given or repeated, or any breach of any of the Warranties considered by the Lead Manager in its sole and reasonable opinion (on behalf of the Underwriters) to be material in the context of the Placing; or
  - (iv) any adverse change in the business or in the financial or trading position of the Company which is in the sole and reasonable opinion of the Lead Manager (on behalf of the Underwriters) to be material in the context of the Placing; or
  - (v) any breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than by any of the Underwriters or the Lead Manager).

## **Commissions and expenses**

The Underwriters will receive an underwriting commission of 3.75% of the aggregate Placing Price of all the Placing Shares (including any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option), out of which they will pay any sub-underwriting commissions. The Sponsor will receive financial advisory and documentation fee and for acting as sponsor to the Placing. Such underwriting commission, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, brokerage, legal, other professional fees, printing and other expenses relating to the Placing, which are currently estimated to amount to an aggregate of approximately HK\$10.5 million in aggregate (based on the Placing Price of HK\$0.88 per Share, being the mid-point of the indicative Placing Price range of between HK\$0.80 and HK\$0.96 per Share and the assumption that the Offer Size Adjustment Option is not exercised) is to be borne by the Company.

## **Undertakings**

The Initial Management Shareholders have given the Company, the Sponsor, the Underwriters and the Stock Exchange non disposal undertakings, details of which are described under the section headed “Substantial, Initial Management and Significant Shareholders” in this prospectus.

Each of the Initial Management Shareholders and the executive Directors and the Company has undertaken with the Sponsor and the Underwriters to procure that the Company will not, save pursuant to the Placing, the Capitalisation Issue, the issue of Shares pursuant to the exercise of the Offer Size Adjustment Option, the options granted under the Share Option Schemes or any capitalisation issue or any consolidation, sub-division or capital reduction of Shares or otherwise permitted under the GEM Listing Rules, within a period of six months from the date on which dealings in the Shares first commence on GEM allot or issue or accept subscriptions for, or grant or agree to grant any option or warrants or other rights in or to subscribe for shares or debentures (other than debentures granted as security collateral for borrowings in the ordinary course of business) or other securities (including securities convertible or exchangeable for shares) of the Company or any interests therein.

## **Underwriters’ interest in the Company**

Save as disclosed in this prospectus, none of the Underwriters or any of their respective holding companies, or any of their respective subsidiaries is interested beneficially or legally in any shares of the Company or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any Shares.

### **Sponsor's interest in the Company**

The Sponsor and their respective associates will receive from the Company:

- (i) a documentation fee as sponsor of the Placing;
- (ii) by a compliance adviser agreement to be entered into between DTCF and the Company pursuant to which DTCF will be retained as the compliance adviser of the Company for the period commencing from the Listing Date and ending on the date on which the Company issues its financial results for the year ending 31 December 2007 and the Company shall pay an agreed fee to DTCF for the provision of such services; and
- (iii) certain associates of the Sponsor, whose ordinary businesses involving trading of and /or dealing in securities, may involve in the trading of and /or dealing in the securities of the Company.

The Sponsor confirms that save as disclosed in this prospectus:

- (i) neither the Sponsor nor their respective associates have or may, as a result of the Placing or transaction, have an interest in any class of securities of the Company, or any other company within the Group (including options or rights to subscribe such securities);
- (ii) no director or employee of the Sponsor who is involved in providing advice to the Company has or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for by any such director or employee pursuant to the Placing);
- (iii) neither the Sponsor nor their respective associates have accrued any material benefit as a result of the successful outcome of the Placing, including, for example, the repayment of material outstanding indebtedness or success fees save and except for the documentation fee to be received by the Sponsor and its respective associates;
- (iv) no director or employee of the Sponsor has a directorship in the Company or any other company within the Group; and
- (v) certain fellow subsidiaries, holding companies or affiliates of the Sponsor, whose ordinary businesses involve the trading of and dealing in securities, may derive commission from the trading and dealing in the securities of the Company.