

UNDERWRITING

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New Issue Underwriters

Emperor Securities Limited
Taiwan Concord Capital Securities (Hong Kong) Limited
Tai Fook Securities Company Limited
Celestial Capital Limited

Placing Underwriters

Emperor Securities Limited
Taiwan Concord Capital Securities (Hong Kong) Limited
Tai Fook Securities Company Limited
Celestial Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement dated 30th October, 2002 and made between, inter alia, the Company, the Vendor, the Existing Shareholders (as defined in the Underwriting Agreement), the executive Directors, the Sponsor and the Underwriters, the Company and the Vendor are offering the Offer Shares for subscription and sale on and subject to the terms and conditions set out in this prospectus and the application forms relating thereto at the Offer Price. Subject, inter alia, to the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein being granted by the Listing Committee of the Stock Exchange and the obligations of the Underwriters under the Underwriting Agreement becoming unconditional, in each case on or before 30th November, 2002 or such further date as the parties to the Underwriting Agreement may agree, the Underwriters have severally agreed to subscribe or purchase or procure subscription or purchase of, on the terms and conditions set out in this prospectus and the application forms relating hereto, the Offer Shares now being offered for subscription and sale which are not taken up under the Share Offer. If the Underwriting Agreement does not become unconditional or is truncated in accordance with the terms therein, the Company will make an announcement as soon as possible.

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Grounds for termination

The obligations of the Underwriters to subscribe or purchase and procure subscribers or purchasers for the Offer Shares, are subject to termination by Emperor Securities (acting on behalf of the Underwriters) if certain grounds arise prior to 4:00 a.m. on 12th November, 2002. The grounds for termination include, inter alia, the arising of events or circumstances where:

- (A) if there has come to the notice of Emperor Securities (for itself and on behalf of the Underwriters):**
 - (i) that any statement, contained in the New Issue Documents or the Placing Documents (each as defined in the Underwriting Agreement) was when any of such documents were issued, or has become, untrue, incorrect or misleading in any respect; or**
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the New Issue Documents, constitute an omission therefrom; or**
 - (iii) any breach of the Warranties (as defined in the Underwriting Agreement); or**
 - (iv) any breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on any of the Underwriters or Emperor); or**
 - (v) any adverse change in the business or in the financial or trading position of any member of the Group as a whole which is material in the context of the Share Offer; or**
 - (vi) any event, act or omission which gives or is likely to give rise to any liability of the Warrantors (as defined in the Underwriting Agreement) pursuant to the indemnities referred to in a deed of indemnity dated 30th October, 2002 given by the Vendor, Mr. K C Cheng, Mr. K W Cheng, Ms. Cheng, Ms. Chan Yim Fan and Mr. Charles Woo in favour of the Company (for itself and as trustee for the subsidiaries of the Company); or**
 - (vii) any act or thing done by or omission of any member of the Group or the Directors (or any of them) otherwise than in the ordinary course of business whereby any of the Warranties would not be true in any material respect if given at that time.**
- (B) if there develops, occurs, or comes into effect:**
 - (i) any adverse change or deterioration in the conditions of local, national or international securities markets; or**

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- (ii) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government, strikes, riot, public disorder, terrorist strike, epidemic, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, accident or interruption or delay in transportation); or
- (iii) any change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions (or any other change whether or not ejusdem generis with any of the foregoing) and/or disasters (including any moratorium, suspension or material restriction on trading on the Stock Exchange) and/or the occurrence of any disasters; or
- (iv) any new law or regulation or change (whether or not forming part of a series of changes) in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the PRC, Hong Kong, the Cayman Islands, or any other jurisdiction relevant to the Group or any member thereof; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by the US or by the European Union (or any member thereof) on the PRC, Hong Kong, the Cayman Islands, or any other jurisdiction relevant to the Group or any member thereof; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the PRC, Hong Kong, the Cayman Islands or any other jurisdiction relevant to the Group or any member thereof; or
- (vii) any litigation or claim of any third party threatened or instigated against any member of the Group which will or is reasonably likely to result in the Group incurring liability that is material to the Group taken as a whole; or

and which, in each case, in the absolute opinion of Emperor Securities (for itself and on behalf of the Underwriters):

- (a) is or will or is likely to be materially adverse to the business, financial or other 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 PRC, Hong Kong, the Cayman Islands or any other jurisdiction relevant to the Group or any member 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

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- (b) has or will or is likely to have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for; or**
- (c) makes it inadvisable or inexpedient to proceed with the Share Offer.**

Undertakings

- (a) Each of the Vendor and the executive Directors, (together the “Covenantors”) has jointly and severally undertaken to and covenanted with each of the Company, Emperor (in its capacity as sponsor of the Share Offer) and the Underwriters that:
 - (i) he/she /it shall and shall procure each of his/her/its associates, nominees or trustees holding in trust for each of them shall, comply with all restrictions (if any) applicable to him/her/it from time to time under the Listing Rules (or any replacement thereof or amendment thereto) on the disposal by him/her/it, or by the registered holder, of any Shares or other securities of the Company in respect of which he/she/it is, or is shown by the prospectus to be, the beneficial owner; and
 - (ii) save as disclosed in the prospectus, neither he/she/it or his/her/its associates (if applicable) or any company controlled by him/her/it has any present intention of disposing of any Shares or other securities of the Company beneficially owned or to be owned by him/her/it.
- (b) Each of the Company and the Covenantors has jointly and severally undertaken to and covenanted with Emperor (in its capacity as sponsor of the Share Offer) and the Underwriters in the case of the Company, that it shall not and shall procure that its subsidiaries shall not, and in the case of each of the Covenantors that he/she/it shall procure that the Company and its subsidiaries shall not, within the period commencing on the date hereof and ending six months from the date on which dealings in the Shares first commence on the Stock Exchange (the “First Six Month Period”):
 - (i) allot or issue or agree to allot or issue any Shares or any other securities of the Company including warrants or convertible securities, or any shares in any subsidiaries (including warrants or other convertible securities); or
 - (ii) grant or agree to grant any options or other rights carrying any right to subscribe for or otherwise acquire any securities of the Company or any of its subsidiaries; or
 - (iii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares; or
 - (iv) offer to or agree to do any of the foregoing or announce any intention to do so;

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other than any options to be granted under the Share Option Scheme or any Shares which may fall to be issued pursuant to the Share Offer, the Over-allotment Option, the Capitalisation Issue or the exercise of the options granted under the Share Option Scheme.

- (c) Each of the Covenantors has jointly and severally undertaken to and covenanted with the Company, each of Emperor (in its capacity as sponsor of the Share Offer) and the Underwriters that, without limiting the obligations above, he/she/it shall not, and shall procure that none of his/her/its associates, nominees or trustees holding in trust for him/her/it shall, within the First Six Month Period:
 - (i) sell, transfer or otherwise dispose of or create any rights in respect of any of the Shares owned by him/her/it or his/her/its associates or nominee or trustees after the completion of the Share Offer; or
 - (ii) sell, transfer or otherwise dispose of any interest in any shares in any company controlled by him/her/it which is directly, or through another company indirectly, the beneficial owner of any of the Shares.

The non-disposal restriction will not apply to the lending of Shares by the Major Shareholder to Emperor Securities pursuant to the stock borrowing agreement (entered into between the Major Shareholder and Emperor Securities) nor to the disposal of Sale Shares by the Vendor pursuant to the Share Offer nor to any Shares which the Vendor or any of its associates may acquire or become interested in following the date on which dealings in the Shares first commence on the Stock Exchange provided always that any such acquisition would not result in any breach of rule 8.08 of the Listing Rules.

- (d) Each of the Covenantors and the Company has jointly and severally undertaken to and covenanted with the Underwriters that save with the prior written consent of Emperor Securities (for itself and on behalf of the Underwriters), it shall not, in the case of the Company, and shall procure, in the case of the Covenantors, that the Company and its subsidiaries shall not:
 - (i) at any time within the period during which the Over-allotment Option may be exercised by Emperor Securities, on behalf of the Placing Underwriters, declare or make any payment of dividends, make any other distribution of profits whatsoever, any return of value or issue of bonus Shares to its shareholders or offer or agree to do any of the foregoing or announce any intention to do so; and
 - (ii) within the First Six Month Period purchase any securities of the Company.

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- (e) (i) Each of the Covenantors has jointly and severally undertaken to and covenanted with the Company, Emperor (in its capacity as sponsor of the Share Offer) and the Underwriters that in the event of a disposal of any of the Shares (or any other shares or securities of or interest in the Company arising or deriving therefrom) at any time during the period of six months commencing from the expiry of the First Six Month Period (the “Second Six Month Period”), without limiting the obligations above, he/she/it will take all reasonable steps to ensure that any such disposal shall be effected in such a manner so as not to create a disorderly or false market.
- (ii) Each of the Covenantors has jointly and severally undertaken to and covenanted with the Company, Emperor (in its capacity as sponsor of the Share Offer) and the Underwriters that, without limiting the obligations above, he/she/it shall not, and shall procure that none of his/her/its associates, nominees or trustees holding in trust for him/her/it shall, at any time during the Second Six Month Period:

 - (aa) sell, transfer or otherwise dispose of or permit to be sold, transferred or disposed of any rights in respect of any of the Shares owned by him/her/it, his/her/its associates, nominees or trustees immediately after the completion of the Share Offer; or
 - (bb) dispose or permit to be disposed of any interest in any shares in any company controlled by him/her/it which is directly, or indirectly, the beneficial owner of any of the Shares,

so that immediately following such sale, transfer or disposal, the Covenantors and/or their associates, nominees or trustees, when taken together, cease to be controlling shareholders (as defined in the Listing Rules) of the Company.
- (f) (i) Each of the Covenantors has jointly and severally agreed and undertaken to and covenanted with the Company and Emperor (in its capacity as sponsor of the Share Offer) and the Underwriters that, without limiting the obligations above, not to, and shall procure that he/she/it shall not, and shall procure that none of his/her/its associates, nominees or trustees holding in trust for any of them shall, within the period of twelve months after the listing of the Shares on the Stock Exchange (“Closing Date”), pledge, charge, encumber or create any third-party rights in respect of any of the Shares beneficially owned by him/her/it or his/her/its associates, nominee or trustee save with the prior written consent of Emperor Securities (for itself and on behalf of the Underwriters).

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- (ii) Each of the Covenantors has jointly and severally agreed, undertaken and covenanted with the Company and Emperor (as the sponsor of the Share Offer) and the Underwriters that within the period of twelve months after the Closing Date, he/she/it shall:
 - (aa) immediately inform the Company and Emperor (as the sponsor of the Share Offer) and the Underwriters of the details and the number of Shares subject to the pledge, charge, encumbrance or third party rights and the proposed use of any funds secured thereby; and
 - (bb) immediately inform the Company and Emperor (as sponsor of the Share Offer) and the Underwriters of and give all material information relating to any indication received by each of them, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or interests in the Shares will be disposed of.

Commission and expenses

The Underwriters will receive a commission of 2.5% on the aggregate issue price of all the Shares now being offered for subscription, out of which they will pay any sub-underwriting commissions and praecipium (if any). The Sponsor will in addition receive a documentation and sponsor fee for providing documentation services and for acting as the Sponsor to the Share Offer. The underwriting commission, documentation fee, Stock Exchange listing fees and SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$11 million in total (assuming the Over-allotment Option is not exercised), and are payable by the Company as to approximately 60% and the Vendor as to approximately 40% of the total expenses.

Underwriters' interest in the Company

Save for its obligations under the Underwriting Agreement, none of the Underwriters or any of their respective holding companies or any of their respective subsidiaries was beneficially interested, directly or indirectly, in any shareholding in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.