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## UNDERWRITING

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### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

The Underwriting Agreement was entered into on 15th November, 1999. The Company is offering the New Issue Shares for subscription on and subject to the terms and conditions of this prospectus and the application forms relating thereto and the Placing Shares on and subject to the terms and conditions of the Placing. Subject to the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares in issue and to be issued as mentioned herein on or before 16th December, 1999, and to certain other conditions set out in the Underwriting Agreement, the New Issue Underwriters have agreed severally to subscribe or procure subscribers on the terms and conditions of this prospectus and the application forms for the Shares which are being offered but are not taken up under the New Issue. The Sole Placing Underwriter has agreed to subscribe or procure subscribers for the Placing Shares on and subject to the terms and conditions of the Placing.

#### Grounds for termination

The respective obligations of the New Issue Underwriters and the Sole Placing Underwriter to subscribe or procure subscribers for the Shares are subject to termination if certain grounds occur at any time prior to 5:00 p.m. on the second business day (excluding Saturday) after the closing of the application lists (the "Termination Time"), which is expected to be on 23rd November, 1999. The grounds for termination include, inter alia, circumstances where, before the Termination Time:

- (1) there shall develop, occur, exist or come into effect:
  - (a) 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 of any relevant jurisdiction; or
  - (b) any change in, or any event or series of events resulting or likely to result in any change in Hong Kong, the PRC, national or international financial, currency, political, military, industrial, economic or market conditions; or
  - (c) any change in the conditions of Hong Kong, the PRC or international equity securities or other financial markets; or
  - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the GEM of the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the British Virgin Islands or the PRC or elsewhere; or
  - (f) any change in the business or in the financial or trading position of the Group,

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which, in the opinion of ICEA (for itself and on behalf of the other Underwriters):

- (i) is or will or is likely to be materially adverse to the business, financial condition or prospects of the Group taken as a whole; or
  - (ii) has or will have or is likely to have a material adverse effect on the success of the Share Offer or the full subscription of all of the Offer Shares; or
  - (iii) makes it inadvisable or inexpedient to proceed with the Share Offer; or
- (2) there comes to the notice of ICEA any matter or event showing any of the representations, warranties and undertakings contained in the Underwriting Agreement given by, inter alia, the Company and the executive Directors to the Underwriters to be untrue or inaccurate or misleading or as having been breached in any respect considered by ICEA to be material; or
- (3) there comes to the notice of ICEA any breach on the part of the Company or any of the executive Directors of any of the provisions of the Underwriting Agreement in any respect considered by ICEA to be material.

### **Commissions**

The Underwriters will receive a commission of 3.5% of the aggregate issue price payable for the New Issue Shares and Placing Shares, out of which they will pay any sub-underwriting commissions, and ICEA will also receive a documentation fee. Such fee and commissions, together with the Stock Exchange listing fees, legal and other professional fees, printing, and other expenses relating to the Share Offer, which are estimated to amount to approximately HK\$10.6 million in aggregate, will be payable by the Group.

### **Undertaking**

The Company has undertaken to the Underwriters in the Underwriting Agreement that it will not without the prior written consent of ICEA and unless in compliance with the requirements of the GEM Listing Rules, at any time after the date of the Underwriting Agreement up to and including the date falling 6 months after the date on which dealings in the Shares commence on the GEM of the Stock Exchange, allot or issue or agree to allot or issue any Shares or other securities of the Company (including warrants or other convertible securities) or grant or agree to grant any options or rights over any Shares or other securities of the Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or has any intention to do so, except pursuant to the Share Offer, the Capitalisation Issue or the Share Option Scheme.

### **Underwriters' interests in the Company**

ICEA has entered into an agreement with the Company on 15th November, 1999 to act as the sponsor (as defined in the GEM Listing Rules) of the Company for the period from the date on which dealings in the Shares commence on the GEM of the Stock Exchange to 30th June, 2002. Save as disclosed above and its obligations under the Underwriting Agreement, none of the Underwriters has any shareholding interests 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.