
UNDERWRITING

UNDERWRITING

Underwriters

DBS Asia Capital Limited
JS Cresvale International Limited
First Shanghai Capital Limited
Celestial Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

The Underwriting Agreement was entered into on 21 September, 2000. The Underwriters have agreed on a several, not joint and several, basis to procure subscribers for the Placing Shares on and subject to the terms and conditions of the Underwriting Agreement.

Grounds for termination

The respective obligations of the Underwriters to subscribe or procure subscribers for the Shares are subject to termination if certain grounds occur at any time prior to 6:00 p.m. on the business day immediately preceding the day on which dealings in the Shares on GEM commence, including:—

- (1) any breach of any of the warranties or any other provision of the Underwriting Agreement which is considered, in the sole opinion of DBS Asia, to be material in the context of the Placing;
- (2) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the sole opinion of DBS Asia in the context of the Placing;
- (3) any statement contained in this prospectus considered to be material by DBS Asia is discovered to be or becomes untrue, incorrect or misleading in any respect considered in the sole opinion of DBS Asia to be material;
- (4) any event, act or omission which gives or is likely to give rise to any liability of the Company and any of the Initial Management Shareholders pursuant to the indemnities contained in the Underwriting Agreement;
- (5) any adverse change in the business or the financial or trading position of the Group which is considered in the sole opinion of DBS Asia to be material;
- (6) 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

UNDERWRITING

- (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, which, in the opinion of DBS Asia (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 Placing or the full subscription of all of the Placing Shares; or
 - (iii) makes it inadvisable or inexpedient to proceed with the Placing.

Commissions and expenses

The Underwriters will receive a commission of 4 per cent. of the aggregate issue price payable for the Placing Shares, out of which they will pay any sub-underwriting commissions, and DBS Asia 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 Placing, which are estimated to amount to approximately HK\$12 million in aggregate, will be payable by the Company.

Undertaking

The Company has undertaken to the Underwriters in the Underwriting Agreement that it will not without the prior written consent of DBS Asia 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 six 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 Placing, or the Share Option Scheme.

UNDERWRITING

Sponsors' interests in the Company

DBS Asia has entered into an agreement with the Company on 21 September, 2000 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 31 December, 2002. Save as disclosed above and its obligations under the Underwriting Agreement, DBS Asia has no shareholding interests in the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Underwriters' interest in the Company

Save as provided for under the Underwriting Agreement and disclosed otherwise in this prospectus, none of the Underwriters has any shareholding interests in the Group nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any member of the Group.