

UNDERWRITING

UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited
JS Cresvale International Limited
DBS Asia Capital Limited
Deloitte & Touche Corporate Finance Limited
Kingsway SW Securities Limited
Shenyin Wanguo Capital (H.K.) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement dated 11th May, 2001 between, among others, the Company, the executive Directors and the Underwriters, the Company is offering the Placing Shares for subscription by way of the Placing. In addition, the Company has granted the Over-allotment Option to the Underwriters (exercisable by Guotai Junan on behalf of the Underwriters) from time to time on or before 8th June, 2001 to require the Company to issue up to an aggregate of 10,125,000 additional Shares, representing 15 per cent. of the Shares initially available under the Placing, to cover over-allocations in the Placing, if any.

Subject to the GEM Listing Committee granting listing of, and permission to deal in, the Shares (subject only to allotment) on or before 8th June, 2001, and to certain other conditions set out in the Underwriting Agreement being satisfied as set out therein, the Underwriters have severally agreed to apply, or procure placees, to apply for the Placing Shares which have not been placed pursuant to the Placing.

Grounds for termination

The obligations of the Underwriters to subscribe or procure subscribers for the Placing Shares are subject to termination if certain circumstances arise prior to 10:00 a.m. on the date of despatch of Share certificates. The grounds for termination include, inter alia, where:

- (i) the success of the Placing has been or would or might be adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof or other occurrence of any nature whatsoever which may in the sole and absolute opinion of Guotai Junan (for itself (in its capacity as one of the Joint Lead Managers of the Placing) and the Underwriters) materially and adversely affect the business or financial prospects of the Group taken as a whole; or
 - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in an adverse change in, or which would in the sole and absolute opinion of Guotai Junan (for itself (in its capacity as one of the Joint Lead Managers of the Placing) and the Underwriters) be expected to result in a material and adverse change in, political, economic or stock market conditions; or

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- (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (d) a change or development involving a prospective change in taxation in Hong Kong, the Cayman Islands, BVI or PRC or elsewhere or the implementation of exchange controls which shall or would materially and adversely affect the Company or its present or prospective shareholders in their capacity as such; or
- (ii) any change in the conditions of local, national or international securities markets occurs which in the sole and absolute opinion of Guotai Junan (for itself (in its capacity as one of the Joint Lead Managers of the Placing) and the Underwriters) is likely to materially and adversely affect the success of, or makes it inexpedient or inadvisable to proceed with, the Placing; or
- (iii) there comes to the notice of Guotai Junan (in its capacity as one of the Joint Lead Managers of the Placing) and the Underwriters any matter or event showing any of the warranties contained in the Underwriting Agreement to be untrue or inaccurate in any material respect; or
- (iv) any of the executive Directors and/or the Company commits any breach of, or omits to observe in any material respect, any of the obligations or undertakings expressed to be assumed by them under the Underwriting Agreement; or
- (v) there comes to the notice of Guotai Junan (in its capacity as one of the Joint Lead Managers of the Placing) and the Underwriters any information, matter or event which in the sole and absolute opinion of Guotai Junan (for itself (in its capacity as one of the Joint Lead Managers of the Placing) and the Underwriters):
 - (a) is inconsistent in any material respect with any information contained in any Form 6A given by any Director pursuant to the Placing; or
 - (b) would cast any serious doubt on the integrity or reputation of any Director or the reputation of the Group; or
- (vi) there is in the sole and absolute opinion of Guotai Junan (for itself (in its capacity as one of the Joint Lead Managers of the Placing) and the Underwriters) any material and adverse change in the business or in the financial or trading position of the Group taken as a whole.

Undertakings

The Initial Management Shareholder and each of the Significant Shareholders of the Company have given non-disposal undertakings, details of which are described in the section headed “Substantial shareholder, Initial Management Shareholder and Significant Shareholders” in this prospectus.

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The Company has undertaken to the Underwriters that it will not effect any purchase of the Company's own shares, or agree to do so, which may reduce the holdings of the Shares held by the public (as defined in Rule 11.23 of the GEM Listing Rules) below 20 per cent. without first having obtained the prior written consent of JS Cresvale.

The Company has undertaken to the Underwriters that it will not, without the prior written consent of JS Cresvale and unless in compliance with the GEM Listing Rules, issue or agree to issue or grant or agree to grant any options or warrants or other rights in or carrying the right to subscribe for Shares or other securities (including securities convertible into or exchangeable for Shares) of the Company or any interest therein or announce an intention to do so within six months from the Listing Date.

Commission and expenses

The Underwriters will receive a commission of 4 per cent. of the aggregate Issue Price of all Placing Shares and Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, out of which each Underwriter will pay its own sub-underwriting commission, if any. Each of DTCFL and JS Cresvale will in addition receive an advisory and documentation fee in relation to the Placing. Such fees and commission, together with the Stock Exchange listing fees, the Stock Exchange transaction levy, legal and other professional fees, printing and other expenses relating to the Placing which are currently estimated to be approximately HK\$13.1 million in aggregate (assuming that the Over-allotment Option is not exercised), will be borne by the Company.

Underwriters' interests in the Company

Save as contemplated pursuant to the Underwriting Agreement, none of the Underwriters has any shareholding in any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.