
UNDERWRITING

UNDERWRITERS OF THE PLACING

Kingston Securities Limited
GC Capital (Asia) Limited
Deloitte & Touche Corporate Finance Ltd
Prudence Securities Company Limited
Hantec Securities Company Limited
Core Pacific-Yamaichi International (H.K.) Limited
Sun Hung Kai International Limited
SBI E2-Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

The Company is offering the New Shares for subscription and the Vendor is offering the Sale Shares for sale, in each case by way of the Placing at the Offer Price. In addition, the Company has granted the Over-allotment Option to the Lead Manager exercisable by it at any time from the date of this prospectus up to 16th January, 2002 to require the Company to issue up to an aggregate of 22,500,000 additional new Shares, representing 15% of the Placing Shares 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 21st December, 2001 (or such later date as the Sponsor on behalf of the Lead Manager and the Underwriters may agree in writing with the Company) and to certain other conditions set out in the Underwriting Agreement being satisfied by the times referred to in the Underwriting Agreement, the Underwriters have severally agreed to subscribe/purchase or procure places to subscribe/purchase the Placing Shares according to their respective underwriting commitment.

Grounds for termination

The Lead Manager (for itself and on behalf of the Sponsor and the Underwriters) is entitled to terminate the Underwriting Agreement by notice in writing to the Company and the Vendor, which may be given at any time up to 5:00 p.m. on the day immediately preceding the Listing Date upon occurrence of the following events at or prior to such time:

- (i) there shall develop, occur 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 applications thereof by any court or other competent authority, which in the absolute opinion of the Lead Manager on behalf of the Underwriters has or may have a material adverse effect on the business or financial conditions or prospects of the Group taken as a whole; or
 - (b) any change in Hong Kong, the PRC, Asia, national, regional or international financial, political, military, industrial or economic conditions or prospects; or
 - (c) any change in the conditions of the Hong Kong or international securities markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or
 - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

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- (e) a change or development involving a prospective change in Hong Kong, the British Virgin Islands, the PRC or other jurisdiction in taxation or exchange controls which will or can reasonably be expected to materially and adversely affect the Group as a whole or the present or prospective shareholders of the Company in their capacity as such; or
- (f) the imposition of economic sanctions, withdrawal of trading privileges, embargo, restraint or prohibition of import and export, in whatever form, by the US or the European Union (or any member thereof) on Hong Kong or the PRC;

and any such event, in the absolute opinion of the Lead Manager (on behalf of the Underwriters), has or may have a material adverse effect on the success of, or makes it inadvisable or inexpedient to proceed with the Placing; or

- (ii) there comes to the notice of the Sponsor, the Lead Manager and/or the Underwriters any matter or event showing any of the representations and warranties contained in the Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Lead Manager (on behalf of the Underwriters) to be material or showing any of the undertakings contained in the Underwriting Agreement or other obligations or undertakings expressed to be assumed by or imposed on the Company, the Vendor, the initial management shareholders named in the Underwriting Agreement, and the executive Directors under the Underwriting Agreement not to have been complied with in any respect considered by the Lead Manager to be material; or
- (iii) any material statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any respect; or
- (iv) matters have arisen or have been discovered which would, if this prospectus was to be issued at that time, constitute a material omission therefrom; or
- (v) there is any adverse change in the business or in the financial or trading position or prospects of any member of the Group which in the absolute opinion of the Lead Manager (on behalf of the Underwriters) is material in the context of the Placing.

Undertakings

Under the Underwriting Agreement,

- (i) each of the Initial Management Shareholders, Mr. Ng Hoi Kam and Mr. Li Chun Wan severally undertakes to and covenants with the Company, the Sponsor, the Lead Manager and the Underwriters that:
 - (a) she, he or it shall not and shall procure that none of her, his or its associates (as defined in the GEM Listing Rules) and the companies controlled by her, him or it or nominees or trustees holding in trust for her, him or it shall sell, transfer or otherwise dispose of (or enter into any agreement to dispose of), save pursuant to a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan, any of its, his or her Relevant Securities or any interests therein, or any shares held directly or indirectly by her, him or it or her, his or its associates, in any company controlled by her, him or it which is the beneficial owner of any of the Relevant Securities or interests nor permit the registered holder to dispose of (or enter

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into any agreement to dispose of) any of her, his or its direct or indirect interest in the Relevant Securities during a period of 12 months from the Listing Date;

- (b) she, he or it shall enter into an escrow agreement with an escrow agent acceptable to the Stock Exchange and the Sponsor and place in escrow, with such escrow agent, her, his or its Relevant Securities during the restriction period applicable to her, him or it as referred to in sub-paragraph (a) above.
 - (c) for a period commencing on the date when the restriction under sub-paragraph (a) above applicable to her, him or it lapses and ending on 31st December, 2003, she, he or it shall not and shall procure that none of her, his or its associates and companies controlled by her, him or it or nominees or trustees holding in trust for her, him or it will, without the prior written consent of the Sponsor on behalf of the Lead Manager and the Underwriters (such consent not to be unreasonably withheld or delayed), sell, transfer or dispose of, save pursuant to a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan, any Relevant Securities or any interests therein or sell, transfer, dispose of, save pursuant to a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan, any shares in any company controlled by her, him or it which is the beneficial owner of such Relevant Securities if, immediately following such sale, transfer or disposal, any of them either individually or taken together with the others of them, would cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company.
- (ii) each of the Initial Management Shareholders, Mr. Ng Hoi Kam and Mr. Li Chun Wan also severally undertakes to and covenants with the Company, the Sponsor, the Lead Manager and the Underwriters that:
- (a) in the event that she, he or it disposes of her, his or its Relevant Securities after the restriction under paragraph (i) above applicable to her, him or it lapses, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares; and
 - (b) in the event that she, he or it pledges or charges any direct or indirect interest in the Relevant Securities or in any shares in any company controlled by her, him or it which is the beneficial owner of the Relevant Securities within a period commencing on the date of the Underwriting Agreement and ending on the date when the restriction under paragraph (i) applicable to her, him or its lapses, she, he or it must inform the Company and the Sponsor and the Lead Manager immediately thereafter, disclosing to the Company, the Sponsor and the Lead Manager the details of such pledge or charge including the number and class of securities being pledged or charged and the purpose for which the pledge or charge is made and in the event that she, he or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest, of such disposal or such intention to dispose and the number of securities affected.

The Company undertakes to and covenants with the Sponsor and the Underwriters that, and each of the Initial Management Shareholders, Mr. Ng Hoi Kam, Mr. Li Chun Wan and the executive Directors undertakes and covenants with the Sponsor, the Lead Manager and the Underwriters to procure, without the prior written consent of the Lead Manager on behalf of the Underwriters (such consent not to be unreasonably withheld or delayed), that the Company will not, save pursuant to the Placing, the grant of any options under the Share Option Scheme issue Shares pursuant to the

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Capitalisation Issue, the exercise of the Over-allotment Option, or the exercise of any option granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme or any capitalisation issue or any consolidation, sub-division or capital reduction of Shares or by way of scrip dividend schemes or other similar arrangement in accordance with the articles of association of the Company: (a) within the period of six months from the Listing Date, issue or agree to issue any shares or any other securities in the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, Shares or any other securities of the Company; and (b) at any time during the period of 12 months from the Listing Date, unless permitted by the GEM Listing Rules, issue any shares or securities in the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for Shares or securities in the Company so as to result in the Initial Management Shareholders, Mr. Ng Hoi Kam and Mr. Li Chun Wan either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company.

Each of the Company, the Initial Management Shareholders, Mr. Ng Hoi Kam and Mr. Li Chun Wan and the executive Directors undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters that save with the prior written consent of the Sponsor on behalf of the Underwriters (such consent not to be unreasonably withheld or delayed), no company in the Group will within the period of six months from the Listing Date purchase any Shares or any other securities of the Company.

Commission and expenses

The Underwriters will receive a commission of 2.5% of the Offer Price per Placing Share, out of which they will pay any sub-underwriting commissions and selling concessions. The Sponsor will also receive an advisory and documentation fee. Such commissions, documentation fees and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Placing, which are estimated to amount in aggregate to approximately HK\$14 million, will be payable by the Company and the Vendor in the proportions of 90% to 10%. In addition, the Stock Exchange trading fees and the SFC transaction levy in respect of the New Shares shall be borne by the Company solely. The Vendor shall be solely responsible for any fixed transfer duty, ad valorem seller's stamp duty in respect of the sale and transfer of the Sale Shares, the Stock Exchange trading fees and the SFC transaction levy in respect of the Sale Shares.

Sponsor's and Underwriters' interests in the Company

Save for (i) the obligations and interests of the Sponsor, the Lead Manager and the Underwriters under the Underwriting Agreement; (ii) the advisory and documentation fee payable to the Sponsor as sponsor to the Placing; (iii) the Sponsor's interests under the sponsor agreement to be made between the Sponsor and the Company whereby the Sponsor will be retained as sponsor of the Company up to 31st December, 2003 for the purposes of the GEM Listing Rules; (iv) the grant by the Company of the Over-allotment Option to the Lead Manager; and (v) the obligations and interests of the Lead Manager under the Stock Borrowing Agreement, none of the Sponsor, the Lead Manager and the Underwriters has any shareholding interests in the Group nor 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 nor any interest in the Placing.