
UNDERWRITING

UNDERWRITERS

Core Pacific – Yamaichi International (H.K.) Limited
Guotai Junan Securities (Hong Kong) Limited
GC Capital (Asia) Limited
SBI E2-Capital Securities Limited
Taiwan Securities (Hong Kong) Company Limited
First Shanghai Securities Limited
Sun Hung Kai International Limited
Celestial Capital Limited
YF Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting agreement

Pursuant to an Underwriting Agreement dated 30th January, 2002 (described as material contract (c) in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus), the Company is offering 240,000,000 New Shares and the Vendors are offering 60,000,000 Sales Shares pursuant to the Placing subject to the terms and conditions of this prospectus, at the Placing Price.

Subject to, inter alia, the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares on or before 1st March, 2002, the Underwriters have severally agreed to subscribe or procure subscription on the terms and conditions of this prospectus, for the Shares which are not taken up under the Placing.

Grounds for termination

The obligations of the Underwriters under the Underwriting Agreement to apply and procure applicants for the subscription for and/or placement for the Placing Shares offered under the Placing, are subject to termination if the following events occur prior to 6:00 p.m. on the day immediately before the date on which trading in the Shares commences on the Stock Exchange:

- (a) if it has come to the notice of CPY International:
 - i. that any statement, which CPY International (for itself and on behalf of the Underwriters) in its sole and absolute discretion considers to be material, contained in the documents relating to the Placing was when such documents were issued, or has become, untrue, incorrect or misleading in any material 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 documents relating to the Placing, constitute an omission therefrom which CPY International (for itself and on behalf of the Underwriters) in its sole and absolute discretion considers to be material; or

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- iii. any breach of the representations and warranties contained in the Underwriting Agreement by any party to the Underwriting Agreement other than the Sponsor, CPY International or any of the Underwriters, which CPY International (for itself and on behalf of the Underwriters) in its sole and absolute opinion considers to be material; or
 - iv. any event, act or omission which gives or is likely to give rise to any liability of the Company, the Vendors, the executive Directors or the Initial Management Shareholders pursuant to the indemnities contained in the Underwriting Agreement which CPY International (for itself and on behalf of the Underwriters) in its sole and absolute discretion considers to be material; or
 - v. any breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on any of the Underwriters, CPY or CPY International) which CPY International (for itself and on behalf of the Underwriters) in its sole and absolute discretion considers to be material; or
 - vi. any adverse change in the business or in the financial or trading position or prospects of any member of the Group which CPY International (for itself and on behalf of the Underwriters) in its sole and absolute discretion considers to be material in the context of the Placing; or
 - vii. any of the obligations or undertakings expressed to be assumed by or imposed on any of the Company, the executive Directors or the Initial Management Shareholders under the Underwriting Agreement has not been complied with or observed by any of them in any respect which CPY International (on behalf of the Underwriters) in its sole and absolute opinion considers to be material; or
- (b) if there develops, occurs or comes into effect:
- i. any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, acts of terrorism, flooding, civil commotion, acts of war, acts of God, public disorder or economic sanctions accident or interruption or delay in transportation); or
 - ii. any change (whether or not forming part of a series of 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) in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters or currency exchange rates or exchange controls and/or the occurrence of any disasters; or
 - iii. any new law or regulation or change 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, the British Virgin Islands, Australia or any other jurisdictions relevant to the Company and its subsidiaries; or
 - iv. the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States of America or by the European Union (or any member thereof) on the PRC; or

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- v. 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, the British Virgin Islands, Australia or any other jurisdictions relevant to the Company and its subsidiaries; or
- vi. any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- vii. any change in conditions of the local, national or international securities or commodities 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
- viii. 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;

which, in the reasonable opinion of CPY International (on behalf of itself and the other Underwriters):

- (1) is or will or is likely to be materially adverse to the business, financial or other condition or prospects of the Group or to any present or prospective shareholders of the Company in his capacity as such; or
- (2) has or will have or is likely to have a material adverse effect on the success of Placing or the level of the Placing Shares being applied for or accepted or the distribution of the Placing Shares; or
- (3) makes it inadvisable or inexpedient to proceed with the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by the preliminary document for the Placing and this prospectus.

Undertakings

- A. Each of the Initial Management Shareholders undertakes to and covenants with the Company, the Sponsor, CPY International (on behalf of the Underwriters) and the Stock Exchange that, save as permitted under the GEM Listing Rules and the Underwriting Agreement, 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 during the period of twelve months following the Listing Date or such shorter period as required by GEM Listing Rules:
 - (a) sell, transfer or otherwise dispose of or create any rights (including but not limited to the creation of any options, rights or interests or entering into any swap agreements or other arrangements that transfers or otherwise disposes of, in whole or in part, any of the economic consequence of ownership of) in any Shares, save pursuant to a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan in respect of any of the Shares held by him/her/it or his/her/its associates, nominees or trustees on the date on which dealings in the Shares on GEM commence (the "Relevant Shares"); or

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- (b) sell, transfer or otherwise dispose of (or enter into an agreement to do any of the foregoing), save pursuant to a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan, any interest in any shares in any company controlled by any of them which is directly, or through another company indirectly, the beneficial owner of any of the Relevant Shares.
- B. Each of the Company, the executive Directors and the Initial Management Shareholders jointly and severally undertakes to and covenants with the Sponsor and CPY International (on behalf of the Underwriters) to procure that the Company and its subsidiaries shall not, without the prior written consent of the Sponsor and CPY International, within the period commencing on the date of the Underwriting Agreement and ending six months from the Listing Date:
- (a) allot or issue or agree to allot or issue any securities in the Company or any subsidiary (including warrants or other convertible securities (and whether or not of a class already listed)); or
- (b) 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
- (c) offer to or agree to do any of the foregoing or announce any intention to do so;
- other than any Shares which may fall to be issued pursuant to the Placing, the Capitalisation Issue, the exercise of the Over-allotment Option or the grant or the exercise of options under the Share Option Scheme, or by way of scrip dividend schemes or similar arrangement in accordance with the articles of association of the Company, or otherwise approved by the Stock Exchange.
- C. The Company undertakes to and covenants with each of the Sponsor and the Underwriters, and each of the executive Directors and the Initial Management Shareholders jointly and severally undertakes to the Sponsor and the Underwriters to procure that save with the prior written consent of CPY International (such consent shall not be reasonably withheld or delayed), no member of the Group shall within the period of six months from the Listing Date purchase any securities of the Company.

Commission and expenses

The Underwriters will receive a commission of 4.5% of the total Placing Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions. In addition, CPY International will receive a documentation and financial advisory fee. Such commission and fee, together with the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, and printing and other expenses relating to the Placing, which are estimated to be in aggregate approximately HK\$15 million, will be payable as to 80% by the Company and as to 20% by the Vendors provided that the Stock Exchange trading fee and the SFC transaction levy in respect of the New Shares shall be borne by the Company solely, The Vendors shall be solely responsible for any fixed transfer duty, ad valorem seller's stamp duty in respect of the sale and transfer of the Sales Shares (if any), the Stock Exchange trading fee and the SFC transaction levy in respect of the Sales Shares.

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Underwriters' interest in the Company and its subsidiaries

Save for the obligations of the Underwriters 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 Company or any of its subsidiaries or has any right or options (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.