

UNDERWRITING

UNDERWRITERS

Placing Underwriters

First Shanghai Securities Limited
Core Pacific-Yamaichi International (H.K.) Limited
Guotai Junan Securities (Hong Kong) Limited
Kingsway Financial Services Group Limited
Phillip Securities (HK) Ltd.
Sun Hung Kai International Limited

Public Offer Underwriters

First Shanghai Securities Limited
Core Pacific-Yamaichi International (H.K.) Limited
Guotai Junan Securities (Hong Kong) Limited
Kingsway Financial Services Group Limited
Phillip Securities (HK) Ltd.
Sun Hung Kai International Limited

UNDERWRITING ARRANGEMENT AND EXPENSES

Public Offer Underwriting Agreement and Placing Underwriting Agreement

Subject to the GEM Listing Committee granting the listing of, and permission to deal in, the Shares mentioned herein (and in respect of which an application for listing has been made) subject only to allotment, and to certain conditions in the Public Offer Underwriting Agreement, which include the execution and delivery of the Placing Underwriting Agreement, being satisfied by not later than 8 July, 2004, the Public Offer Underwriters have severally agreed to procure subscribers or, failing which, to subscribe for the Public Offer Shares on the terms and conditions of the Public Offer Underwriting Agreement.

In connection with the Placing, the Company expects to enter into the Placing Underwriting Agreement with the Placing Underwriters on or about 11 June, 2004. Under the Placing Underwriting Agreement, the Placing Underwriters would severally agree to procure placees or failing which, to subscribe for the Placing Shares on the terms and conditions of the Placing Underwriting Agreement.

One of the conditions to the obligations of the Underwriters is that, at any time prior to 6:00 p.m. on the day immediately preceding the Listing Date, no notice has been served by any Noteholder to redeem the Convertible Notes (or no right has arisen for them to do so, or any right so arising has been waived). This condition cannot be waived and, if it is not fulfilled, the Underwriting Agreements will not become unconditional and the Listing will not proceed.

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Grounds for termination

The obligations of the Underwriters to subscribe or procure subscribers for the Offer Shares under the Underwriting Agreements are subject to termination by the Lead Manager. The Lead Manager has the absolute right, for itself and on behalf of the Underwriters, to give notice in writing to the Company at any time prior to 6:00 p.m. on the day immediately preceding the Listing Date to terminate the Underwriting Agreements if certain events including but not limited to the following shall have occurred:

- (a) there has been a breach of any of the warranties or there has been a breach by the Company or any of the executive Directors of any of the provisions of the Underwriting Agreements;
- (b) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom;
- (c) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any respect;
- (d) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of the Company or any of the executive Directors pursuant to the indemnities referred to in the Underwriting Agreements;
- (e) there shall have been any adverse change or prospective adverse change in the business or the financial or trading position of any member of the Group;
- (f) there shall have developed, occurred, happened or come into effect any event or series of events, matters or circumstances concerning or relating to:
 - (i) any breach, considered by the Lead Manager in its sole opinion to be material in the overall context of the Share Offer, of any of the warranties or any other provision of the Underwriting Agreements;
 - (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted an omission considered by the Lead Manager in its sole opinion to be material in the context of the Share Offer;
 - (iii) any statement contained in this prospectus considered by the Lead Manager in its sole opinion to be material is discovered to be or becomes untrue, incorrect or misleading in any respect;
 - (iv) there is in the sole opinion of the Lead Manager any adverse change in the business or prospects or in the financial or trading position of any member of the Group, or any such change is discovered by the Lead Manager in its sole opinion to have occurred, which is considered by the Lead Manager to be material in the context of the Share Offer;

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- (v) there is, in the sole opinion of the Lead Manager, any event, act or omission which has given rise or might give rise to any material liability of the Group pursuant to the indemnities given under the Underwriting Agreements;
- (vi) any event or series of events concerning or relating to or otherwise having an effect on, or any change or prospective change (whether or not permanent) in, Hong Kong, the PRC, the Cayman Islands, the United States or any other place of a financial, political, industrial, economic, military, terrorist strike, legal, fiscal and/or other nature (whether or not sui generis with any of the foregoing) shall be considered by the Lead Manager in its sole opinion to have occurred, happened or come into effect and which in the sole opinion of the Lead Manager is inappropriate, inadvisable or inexpedient to proceed with the Share Offer;
- (vii) 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 Hong Kong, the Cayman Islands, the PRC or any other jurisdiction relevant to the Group shall have been, or is scheduled to be, introduced or effected, which shall in the sole opinion of the Lead Manager have a material adverse effect in the context of the Share Offer as a whole;
- (viii) any event or series of events, matters or circumstances concerning or relating to, or any change in (1) the conditions or sentiments of the financial market (including, without limitation, securities and money markets) in Hong Kong, the United States or other major financial markets, or (2) the rate of exchange between the Hong Kong dollar and the US dollar, shall be considered by the Lead Manager in its sole opinion to have occurred or happened, which in the sole opinion of the Lead Manager as inappropriate, inadvisable or inexpedient to proceed with the Share Offer;
- (ix) the imposition of any moratorium, suspension or restriction on:
 - (1) trading in securities generally on the Stock Exchange; or
 - (2) commercial banking activities in Hong Kong or the PRC;
- (x) any change or prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands or any other jurisdiction relevant to the Group or affecting an investment in the Shares or the transfer or dividend payment in respect thereof, which, in the sole opinion of the Lead Manager:
 - (1) is or will be, or is likely to be, materially adverse to the business, financial or other condition or prospects of the Group taken as a whole; or
 - (2) is inadvisable or inexpedient to proceed with the Share Offer;
- (xi) the imposition, or publicly announced prospective imposition, of economic sanctions or withdrawal of trading privileges, in whatever form, by the United States or the European Community on Hong Kong or the PRC or any other jurisdiction relevant to the Group;

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- (xii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, terrorist strike, future terrorist strike(s) or act of terrorism anywhere in the world in light of the terrorist attack in the United States on 11 September, 2001, strike or lockout shall be considered by the Lead Manager in its sole opinion to have occurred, happened or come into effect which in the sole opinion of the Lead Manager may be materially adverse to or materially prejudicially affect the Group or its prospects and/or the Share Offer or the success thereof or which in the sole opinion of the Lead Manager is inappropriate, inadvisable or inexpedient to proceed with the Share Offer; or

- (xiii) any of the Noteholders require early redemption of the Convertible Notes by giving the Company a notice at any time prior to 6:00 p.m. on the date immediately preceding to the Listing Date to redeem all or part of the Convertible Notes on the Listing Date.

Commission and expenses

The Underwriters will receive a commission of 3.5% of the Offer Price of all the Offer Shares under the Share Offer, out of which they will pay any sub-underwriting commission. In addition, First Shanghai Capital will receive a financial advisory and sponsorship fee in relation to the Share Offer. Such fees and commissions, together with the Stock Exchange listing fees, the trading fee and transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to amount in aggregate to approximately HK\$8 million, are payable by the Company.

Underwriters' interest in the Company

Save for its obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in any member of 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. In addition, each of the Underwriters and/or its subsidiaries may subscribe for or purchase Shares under the Share Offer, or otherwise in the market for its own account.

Sponsor's agreement

Under the Sponsor's Agreement, First Shanghai Capital agrees to act as the sponsor to the Company for a fee for the remainder of the financial year of the Company ending 30 June, 2004 and for the period of 24 months commencing from 1 July, 2004 until 30 June, 2006 or until the Sponsor's Agreement is terminated upon the terms and conditions set out therein.

Sponsor's interest in the Company

Except as otherwise disclosed herein, neither First Shanghai Capital, First Shanghai Securities nor any of their directors, employees or associates expect to have accrued any material benefit as a result of the successful outcome of the Share Offer, other than the following: (i) in taking up

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underwriting obligations under the Underwriting Agreements; (ii) by way of underwriting commissions to be paid to First Shanghai Securities and/or its fellow subsidiaries, holding companies or affiliates for acting as one of the Underwriters to the Share Offer; (iii) the respective advisory and documentation fees to be paid to First Shanghai Capital as sponsor of the Share Offer; (iv) pursuant to the Sponsor's Agreement, First Shanghai Capital has been appointed as sponsor of the Company for the remainder of the financial year of the Company ending 30 June, 2004 and for the period of 24 months commencing from 1 July, 2004 and the Company shall pay an agreed fee to First Shanghai Capital for its provision of such services; (v) certain fellow subsidiaries, holding companies or affiliates of First Shanghai Capital and First Shanghai Securities, whose ordinary businesses involve the trading and dealing in securities (including derivatives), may derive commission from the trading of and dealing in the securities of the Company after the Listing; and (vi) certain of the fellow subsidiaries, holding companies or affiliates of First Shanghai Capital and First Shanghai Securities may purchase or sell securities of the Company or hold them for investment purposes.

No director or employee of First Shanghai Capital and First Shanghai Securities has a directorship in the Company or any other company in the Group.

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Each of the Initial Management Shareholders, including their respective shareholders, where appropriate, has undertaken to the Company, First Shanghai Capital and the Stock Exchange that for a period commencing on the date by reference to which disclosure of the shareholding interest of the relevant Initial Management Shareholders in the Company is made in this prospectus and ending on the date which is 21 months from the Listing Date:

- (i) she/he/it places in escrow, with an escrow agent acceptable to the Stock Exchange, the Shares held by her/him/it ("relevant securities") (as such term is defined in Rule 13.15(4) of the GEM Listing Rules) on terms acceptable to the Stock Exchange;
- (ii) she/he/it will not, save as provided in Rule 13.18 of the GEM Listing Rules, sell, transfer or otherwise dispose of (or enter into any agreement to sell, transfer or otherwise dispose of) or permit the registered holder to sell, transfer or otherwise dispose of (or enter into any agreement to sell, transfer or otherwise dispose of) any of the direct or indirect interests held by her/him/it in the relevant securities;
- (iii) if she/he/it pledges or charges any direct or indirect interest in the relevant securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, she/he/it must inform the Company and the Sponsor immediately thereafter, disclose the details required by the GEM Listing Rules; and
- (iv) having pledged or charged any of her/his/its interest in the relevant securities under sub-paragraph (iii) above, the Initial Management Shareholder must inform the Company and the Sponsor immediately in the event that she/he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the relevant securities affected.

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Town Health, which is the holding company of Town Health Bio-Medical Technology Limited and the ultimate holding company of Spring Biotech, has undertaken to the Company, the Stock Exchange and First Shanghai Capital not to dispose of its shares (whether directly or indirectly) in Town Health Bio-Medical Technology Limited during the period commencing on the date by reference to which disclosure of its indirect shareholding interest in the Company is made in this prospectus and ending on the date which is 21 months immediately following the Listing Date. Town Health Bio-Medical Technology Limited, which is the holding company of Spring Biotech, has also undertaken to the Company, the Stock Exchange and First Shanghai Capital not to dispose of its shares (whether directly or indirectly) in Spring Biotech during the period commencing on the date by reference to which disclosure of its indirect shareholding interest in the Company is made in this prospectus and ending on the date which is 21 months immediately following the Listing Date. Mr. Cheng Yan Tak, Angus Ronald who is the sole beneficial shareholder of Vanbarry Corporation, has also undertaken to the Company, the Stock Exchange and First Shanghai Capital not to dispose of his shares (whether directly or indirectly) in Vanbarry Corporation during the period commencing on the date by reference to which disclosure of his indirect shareholding interest in the Company is made in this prospectus and ending on the date which is 21 months immediately following the Listing Date. Mr. Wong Yan Kit, who is the sole beneficial shareholder of Diamond Tech Investment Limited, has also undertaken to the Company, First Shanghai Capital and the Stock Exchange not to dispose of his shares (whether directly or indirectly) in Diamond Tech Investment Limited during the period commencing on the date by reference to which disclosure of his indirect shareholding interest in the Company is made in this prospectus and ending on the date which is 21 months immediately following the Listing Date.

Each of Mr. Wong Kim Wing, Professor Lo and The Chinese University of Hong Kong Foundation Limited has undertaken to the Company and First Shanghai Capital not to dispose of, or enter into any agreement to dispose of, their Shares (whether directly or indirectly) for a period commencing on the date by reference to which disclosure of their respective shareholding interests in the Company are made in this prospectus and ending on the date which is 21 months following the Listing Date. Each of The Applied Research Council, MCVIL, JAIC, JAIC Technology and five other individual investors, namely, Mr. Robert Owen, Mr. Russell Young, Mr. Tong Sui Bau, Mr. Lee Kam Lun, Kenyon, and Ms. Jessica Pui Han Jook has undertaken to the Company not to dispose of, or enter into any agreement to dispose of, their Shares issued upon the Initial IPO Conversion for a period of three months following the Listing Date.

Under Rule 17.43 of the GEM Listing Rules, the Company shall publish an announcement on being informed of, or on otherwise becoming aware of, any matter referred to in the undertakings mentioned above concerning the pledging or charging of any interests in the relevant securities by each of the Initial Management Shareholders. In these circumstances, the information to be announced will include the number and class of securities being pledged or charged, the purpose for which the pledge or charge is made, and in the event that the pledgee or chargee has disposed of or intends to dispose of any of the relevant securities, details of the same, including the number of the relevant securities affected or to be affected.