

UNDERWRITING

UNDERWRITERS

Placing Underwriters

Christfund Securities Limited
CSC Securities (HK) Limited
EAA Securities Limited
Fulbright Securities Limited
GC Securities Limited
Karl-Thomson Securities Company Limited
Koffman Securities Limited
Magnum International Securities Limited
Magusta Securities Limited
MasterLink Securities (Hong Kong) Corporation Limited
Paul Securities Limited
Phoenix Capital Securities Limited
SBI E2-Capital Securities Limited
Shun Loong Securities Company Limited
Tiffit Securities (Hong Kong) Limited
Wintech Securities Limited

Public Offer Underwriters

Asian Capital (Corporate Finance) Limited
CEF Capital Limited
Christfund Securities Limited
EAA Securities Limited
Fulbright Securities Limited
Hooray Securities Limited
Karl-Thomson Securities Company Limited
Koffman Securities Limited
Magnum International Securities Limited
Magusta Securities Limited
MasterLink Securities (Hong Kong) Corporation Limited
Paul Securities Limited
Shun Loong Securities Company Limited
Tiffit Securities (Hong Kong) Limited
Tung Tai Securities Company Limited
Wintech Securities Limited
YF Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting and Placing Agreement

Pursuant to the Underwriting and Placing Agreement (material contract (xxii) in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus), the Company is offering the New Shares for subscription pursuant to the Share Offer subject to the terms and conditions of this prospectus and the application forms relating hereto and the Vendor has appointed the Placing Underwriters as their agents to offer the Sale Shares for sale by way of Placing, in

UNDERWRITING

each case, at the Offer Price. Subject to, amongst other conditions, the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any shares which fall to be issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme, on or before 24th April, 2002 (or such later date as Ka Wah Capital on behalf of the Underwriters may agree with the Company), (1) the Public Offer Underwriters have severally agreed to apply or procure applications for the Public Offer Shares; and (2) the Placing Underwriters have severally agreed to apply or procure applications for the Placing Shares.

Grounds for termination

- (1) **Ka Wah Capital (on behalf of the Underwriters) shall have the absolute right to terminate the arrangements set out in the Underwriting and Placing Agreement, after such consultation with the Company as Ka Wah Capital in its sole and absolute discretion sees fit, by notice in writing to the Company (for itself and on behalf of the other parties under the Underwriting and Placing Agreement (other than Baron Capital, KGI Asia and the Underwriters)) by Ka Wah Capital (for itself and on behalf of the Underwriters) at any time prior to 5:00 p.m. on the third Business Day after the close of the application lists for the Public Offer, if:-**
- (a) **in the absolute opinion of Ka Wah Capital (for itself and on behalf of the Underwriters), the success of the Share Offer would or might be materially or adversely affected by:**
- (i) **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 absolute opinion of Ka Wah Capital (for itself and on behalf of the Underwriters) materially and adversely affect the business or financial prospects of the Company or any member of the Group; or**
 - (ii) **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 hereof 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 a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or**
 - (iii) **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**
 - (iv) **a change or development involving a prospective change in taxation in Hong Kong, the Cayman Islands or the PRC or the implementation of any exchange controls shall or might materially and adversely affect the Company or its present or prospective shareholders in their capacity as such; or**

UNDERWRITING

- (b) any change or deterioration in the conditions of local, national or international securities markets occurs which, in the absolute opinion of Ka Wah Capital (for itself and on behalf of the Underwriters), is likely to materially and adversely affect the success of, or makes it inexpedient or inadvisable to proceed with, the Share Offer.
- (2) If, any time prior to 5:00 p.m. on the third Business Day following the date on which the application lists for the Public Offer are closed:–
- (a) there comes to the notice of any of Baron Capital, Ka Wah Capital, KGI Asia and the Underwriters any matter or event showing any of the representations and warranties contained in the Underwriting and Placing Agreement to be untrue or inaccurate in any material respect considered by Ka Wah Capital (for itself and on behalf of the Underwriters) in its absolute opinion to be material in the context of the Share Offer; or
- (b) any of the executive Directors, the Vendor, the Covenantors and/or the Company commits any material breach of, or omits to observe in any material respect, any of the obligations or undertakings expressed to be assumed by them or it under the Underwriting and Placing Agreement; or
- (c) there comes to the notice of any of Baron Capital, Ka Wah Capital, KGI Asia and the Underwriters any information, matter or event which, in the absolute opinion of Ka Wah Capital (for itself and on behalf of the Underwriters) may lead to a material adverse change in the business or in the financial or trading position of any member of the Group;

Ka Wah Capital (for itself and on behalf of the Underwriters) shall be entitled (but not bound) by notice in writing to the Company on or prior to such time to elect to treat such matter or event as releasing and discharging Ka Wah Capital, Baron Capital, KGI Asia and the Underwriters from their respective obligations under the Underwriting and Placing Agreement.

- (3) If the Underwriting and Placing Agreement is terminated as described in (1) or (2) above, all obligations of Baron Capital, Ka Wah Capital, KGI Asia and the Underwriters under the Underwriting and Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting and Placing Agreement save in respect of any antecedent breach by any party thereto and the indemnities given under the Underwriting and Placing Agreement and provided however that the Company and the Vendor shall pay to or reimburse to Baron Capital, Ka Wah Capital and KGI Asia the documentation fee and all fees, costs, charges and expenses incurred or paid by any of Baron Capital, Ka Wah Capital, KGI Asia and the Underwriters and shall pay and settle all other fees, costs, charges and expenses in accordance with the terms of that agreement.

UNDERWRITING

Undertakings

- (1) The Company on the one hand and the executive Directors, the Vendor and the Covenantors (jointly and severally) on the other have undertaken to the Sponsor, Co-sponsors and the Underwriters that they shall comply in all respects with the terms and conditions of the Share Offer (including, without limitation, implementing the timetable set out in the section headed “Expected timetable”) and, in particular, that the Company shall duly allot and issue the Public Offer Shares to successful applicants under the Public Offer in accordance with this prospectus and the application forms and the Company shall duly allot and issue the New Shares comprised in the Placing Shares and any Shares upon exercise of the Over-allotment Option and the Vendor shall transfer the Sale Shares and under the Placing in accordance with the terms thereof and, if any of the Offer Shares falls to be applied for.
- (2) The executive Directors, the Vendor and the Covenantors have jointly and severally undertaken with the Sponsor, Co-sponsors and the Underwriters to procure that the Company complies with its obligations and undertakings contained in the Underwriting and Placing Agreement and to do all such acts and things within its powers as may be required to give effect to the same.
- (3) The executive Directors, the Vendor and the Covenantors on the one hand and the Company on the other hand have jointly and severally undertaken with the Sponsor, Co-sponsors and the Underwriters that they shall comply with the rules and regulations issued from time to time by the Stock Exchange and any other regulatory authority.
- (4) Each of the executive Directors, the Covenantors and the Vendor has undertaken with the Sponsor, Co-sponsors and the Underwriters that he or it shall not take up or enter into or effect any arrangements, and shall procure that none of his or its associates shall take up or enter into or effect any arrangements, for the taking up of any Shares pursuant to the Share Offer or the Over-allotment Option whereby he, it or any of his or its associates shall become legally or beneficially (whether directly or indirectly) interested in any Public Offer Shares or Placing Shares and the Company shall procure that its other Directors likewise observe and comply with the aforesaid restrictions.
- (5) The Company on the one hand and the executive Directors, the Vendor and the Covenantors jointly and severally on the other hand have undertaken to Ka Wah Capital (for itself and on behalf of Baron Capital, KGI Asia and the Underwriters) to provide all such information known to them or which on due and diligent enquiry ought to be known to them and relating to the Group or which as subscribers or purchasers for any of the Offer Shares or any Shares to be issued pursuant to the Over-allotment Option and their professional advisers would reasonably require for the purposes of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group or otherwise as may be reasonably required by Ka Wah Capital (for itself and on behalf of Baron Capital, KGI Asia and the Underwriters) for the purpose of complying with any requirement of law or the Stock Exchange in connection with the Share Offer.
- (6) Each of the executive Directors, the Vendor and the Covenantors severally has undertaken to, and covenanted with, the Company, the Sponsor, the Co-sponsors and the Underwriters that other than to facilitate the Over-allotment Option, he or it shall not, and shall procure that none of his or its associates and the companies controlled by or nominees or trustees

UNDERWRITING

holding in trust for him or it shall, within the period commencing on the date of the Underwriting and Placing Agreement and ending on the date falling six months after the Listing Date, sell, transfer or otherwise dispose of or create any rights in respect of any of the Shares owned by him or it, his or its associates or the relevant company, nominee or trustee after the completion of the Share Offer and the Capitalisation Issue, or sell, transfer or otherwise dispose of any interest in any shares in any company controlled by him or it which is directly, or through another company indirectly, the beneficial owner of any of the Shares, provided that the foregoing restriction shall not apply to any Shares which he or it or any of his or its associates may acquire or become interested in following the Listing Date and that, in the event of a disposal of any of the Shares at any time after the expiry of such six-month period, such disposal shall be effected in such a manner so as not to create a disorderly or false market.

- (7) Each of the Vendor, the executive Directors and the Covenantors severally has undertaken to, and covenanted with, the Company, the Sponsor, the Co-sponsors and the Underwriters that neither he or it nor his or its Associates nor any company controlled by him or it nor any nominee or trustee holding in trust for him or it shall, within the period commencing on the date immediately following the date falling six months after the Listing Date and ending on the date falling six months thereafter, sell, transfer or otherwise dispose of or create any rights in respect of any of the Shares owned by him or it, his or its Associates or the relevant company, nominee or trustee after the completion of the Share Offer, or dispose of any interest in any shares in any company controlled by him or it which is directly, or through another company indirectly, the beneficial owner of any of the Shares if, immediately following such sale, transfer or disposal he or it or the relevant company, nominee or trustee would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.
- (8) Each of the Company, the Vendor, the executive Directors and the Covenantors has severally undertaken to and covenanted with the Sponsor, and the Co-sponsors and the Underwriters to procure that, the Company and its subsidiaries shall not, within the period of six months from the Listing Date, issue or agree to issue any shares in the Company or any subsidiary or grant or agree to grant any options, warrants or other rights carrying any right to subscribe for or otherwise acquire any securities of the Company or any subsidiary other than the Offer Shares and any Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme and the exercise of the Over-allotment Option and thereafter shall not issue any shares in the Company or any subsidiary or grant or agree to grant any options, warrants or other rights carrying any right to subscribe for or otherwise acquire any securities of the Company or any subsidiary, completion of which would result in the Vendor, the Covenantors or any of them ceasing to be the controlling shareholder (as defined in the Listing Rules) of the Company.
- (9) Each of the Company, the Vendor, the executive Directors and the Covenantors has undertaken to and covenanted with the Underwriters that save with the prior written consent of Ka Wah Capital (for itself and on behalf of the Underwriters), no member of the Group shall within the period of six months from the date of this prospectus purchase any securities of the Company.
- (10) Each of the executive Directors, the Vendor and the Covenantors has further jointly and severally undertaken to the Company, the Sponsor, the Co-sponsors and the Underwriters that each of them shall not, and shall procure that none of their associates, nominees or trustees holding in trust for any of them shall, within the period of 12 months after the

UNDERWRITING

Listing Date, pledge, charge, encumber or create any third party rights in respect of any of the Shares beneficially owned by each of them or each of their associates, nominees or trustees save with the prior written consent of Ka Wah Capital (for itself and on behalf of Baron Capital, KGI Asia and the Underwriters).

- (11) The Vendor, the Covenantors and the executive Directors have jointly and severally undertaken with the Company, the Sponsor, the Co-sponsors and the Underwriters that within the period of 12 months from the Listing Date he/it will:
- (a) if he/it pledges/charges any securities or interest in the securities of the Company beneficially owned by or controlled by him/it, immediately inform the Company, the Sponsor and the Co-sponsors of such pledges/charges together with the number of securities so pledged/charged; and
 - (b) if he/it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities or interest in the securities of the Company will be disposed of, immediately inform the Company, the Sponsor and the Co-sponsors of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of matters referred in (11)(a) and (b) above by the controlling shareholder of the Company (within the meaning of the Listing Rules) and publish a press notice should the events referred to in paragraphs (11)(a) and/or (11)(b) above occur.

Commission

The Underwriters will receive a commission of 2.5% of the Offer Price of all the Offer Shares, out of which they will pay any underwriting and sub-underwriting commissions. In addition, the Sponsor and the Co-sponsors will receive financial advisory and documentation fees. The portion of such commissions and fees, together with the Stock Exchange listing fees and transaction levy, legal and other professional fees, and printing and other expenses relating to the Share Offer which are estimated to amount in aggregate to approximately HK\$10 million (assuming the Over-allotment Option is not exercised), will be payable as to 50% by the Company and as to 50% by the Vendor.

Over-allotment Option

The Company has granted to Ka Wah Capital, an Over-allotment Option to require the Company to issue additional Shares, together representing an aggregate of up to 10,800,000 additional Shares, to cover over-allocations in the Placing.

Underwriters' interests in the Company

Save for their obligations under the Underwriting and Placing Agreement, none of the Sponsor, the Co-sponsors and the Underwriters nor any of their respective holding companies, nor any of their respective subsidiaries is beneficially interested, directly or indirectly, in any Shares.