
UNDERWRITING

UNDERWRITERS

Dao Heng Securities Limited
BNP Paribas Peregrine Securities Limited
Thing On Securities Limited
Interchina Securities Ltd.
FB Gemini Securities Limited
JS Cresvale International Limited
WorldVest Capital Limited
Shenyin Wanguo Capital (H.K.) Limited
Toyo Securities Asia Ltd.
UOB Kay Hian (Hong Kong) Limited
Luen Fat Securities Co., Limited
Ever-Long Asset Management Limited
South China Securities Limited
TIS Securities (HK) Limited
Guotai Junan Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement (described as material contract (a) in the paragraph headed “Summary of material contracts” under the sub-section headed “Further information about the Company” in Appendix III to this prospectus), the Company is offering the Offer Shares for subscription under the Share Offer on the terms and conditions of this prospectus at the Issue Price. Subject to, inter alia, the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, on or before 21st March, 2002, the Underwriters have severally agreed to subscribe, or to procure subscription, on the terms and conditions of this prospectus for the Offer Shares which are not taken up under the Share Offer.

Grounds for termination

The Underwriting Agreement is subject to termination if certain events, including force majeure (as defined in the Underwriting Agreement), occur prior to 12:00 noon on the second Business Day immediately preceding the Listing Date (as defined in the Underwriting Agreement). The grounds for termination include, inter alia, circumstances where:

- (a) there shall have occurred, happened or come into effect any event or series of events, matters or circumstances concerning or relating to:
 - (i) any change in local, national, international, financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions in Hong Kong, the Cayman Islands, the PRC or any other relevant jurisdiction;

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- (ii) any new law or change in existing laws 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 relevant jurisdiction;
- (iii) any event, or series of events, beyond the control of the Underwriters including, without limiting, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock out;
- (iv) 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;
- (v) a change or development occurred involving a prospective change in taxation or exchange control in Hong Kong, the PRC, the Cayman Islands or any other jurisdiction; or
- (vi) any other change whether or not ejusdem generis with any of the foregoing,

which in the opinion of Dao Heng Securities, is or will be, or is likely to be materially adverse to the business or financial condition of the Company taken as a whole or which is likely to have the effect of adversely affecting the success of the Share Offer; or

(b) there has come to the notice of Dao Heng Securities of:

- (i) any breach, considered by Dao Heng Securities to be material in the context of the Share Offer;
- (ii) any breach of the warranties contained in the Underwriting Agreement;
- (iii) 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 considered by Dao Heng Securities to be material;
- (iv) any statement considered by Dao Heng Securities to be material in the context of the Share Offer contained in the prospectus has become or has been discovered to be untrue, incorrect or misleading in any material respect;
- (v) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on any of the Underwriters);
- (vi) any adverse change in the business or in the financial position of the Company which is material in the context of the Share Offer; or
- (vii) there shall have developed or occurred any litigation or claim of material importance to the Company of any third party being threatened or instigated against the Company.

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Undertakings

- (a) Each of the executive Directors and Covenantors (as defined in the Underwriting Agreement) has jointly and severally undertaken with the Company, Dao Heng Securities and the Underwriters and each of them that:
- (i) save in circumstances permitted by the Listing Rules, he will not subscribe for any of the Offer Shares pursuant to the Share Offer (whether directly or indirectly);
 - (ii) he will not, and will procure that none of his/its associates, nominees or trustees holding in trust for him/it will during the period from and including the date of the Underwriting Agreement up to and including the date immediately preceding that date on which dealings in the Shares commence on the Stock Exchange, sell, transfer or otherwise dispose of or create any rights (including, without limitation, by the creation of any option, charge or other encumbrance over) in respect of any Shares or any direct or indirect interest therein or any other shares or securities of the Company arising or deriving therefrom;
 - (iii) during the period of six months from and including the date on which dealings in the Shares commence on the Stock Exchange, he will not and will procure that none of his/its associates, nominees or trustees holding in trust for him will sell, transfer or otherwise dispose of (including, without limitation, by the creation of any option, charge or other encumbrance (apart from charges created as security for loans)) any Shares or any interest in any shares in any company controlled by him which is directly or indirectly, the beneficial owner of any such Shares or any direct or indirect interest therein beneficially owned by him, his associates, nominee or trustee immediately following completion of the Share Offer or any other shares or securities of the Company arising or deriving therefrom; and
 - (iv) on disposal of such Shares at any time after the expiry of six months referred to in paragraph (iii) above, each of them will take all reasonable steps to ensure that any such disposal will not create a disorderly or false market.
- (b) Each of the Company and the executive Directors has jointly and severally undertaken with Dao Heng Securities and the Underwriters and each of them that the Directors will procure that the Company will not, without the prior written consent of Dao Heng Securities (on behalf of the Underwriters) and unless in compliance with the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities (including securities convertible into or exchangeable for Shares) or agree conditionally or unconditionally to allot or issue or grant any option or other right to subscribe for or otherwise acquire any Shares or other securities of the Company (except pursuant to options which may be granted under the Share Option Scheme) or repurchase any securities of the Company during (except pursuant to the redemption of options under the Share Option Scheme) the period from and including the date of the Underwriting Agreement up to and including the date falling six months from the date on which dealings in the Shares commence on the Stock Exchange.

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- (c) Each of the executive Directors has undertaken with the Company, the Underwriters and the Stock Exchange that within the period of 6 months from the date on which dealings in the securities of the Company first commence on the Stock Exchange, he will:
- (i) if he pledges/charges any securities or interest in the securities of the Company beneficially owned by or controlled by him, immediately inform the Company of such pledges/charges together with the number of securities so pledged/charged; and
 - (ii) if he receives indications, either verbal or written, from the pledgee/chargee that any of the pledged or charged securities or interest in the securities of the Company will be disposed of, immediately inform the Company of such indications.

The Company, if so required under the Listing Rules, will inform the Stock Exchange and the Sponsor and publish a press notice should paragraph (c) (i) and/or (c) (ii) above occur.

Commission

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Issue Price of all the Offer Shares which are to be placed or subscribed for by the Underwriters, out of which they will pay all the sub-underwriting commissions, if any. Dao Heng Securities will receive an advisory and documentation fee in their capacity as sponsor of the Share Offer. Such commission and fee, together with the Securities and Futures Commission transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Share Offer, which are estimated to amount to approximately HK\$7 million, will be payable by the Company.

Underwriters' interest in the Company

None of the Underwriters or any of their respective holding companies, or any of their respective subsidiaries, are beneficially interested, directly or indirectly, in any shareholding in the Company.