

UNDERWRITING

UNDERWRITERS

Placing Underwriters

Ever-Long Securities Company Limited
Luen Fat Securities Company Limited
Peace Town Securities Limited
Taiwan Concord Capital Securities (Hong Kong) Limited

Public Offer Underwriters

Ever-Long Securities Company Limited
Great China Brokerage Limited
Ong Asia Securities (HK) Limited
Peace Town Securities Limited
Sanfull Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting agreement

Pursuant to an underwriting agreement dated 25th October, 2002 made among the Company, the Vendor, the executive Directors, Covenantors (as defined below), the Sponsors, the Lead Manager and the Underwriters, the Company is offering the New Shares for subscription pursuant to the Offer, subject to the terms and conditions of this prospectus and the application forms relating thereto and the Vendor has appointed the Placing Underwriters as the agents to offer the Sale Shares for sale by way of Placing, in each case, at the Offer Price.

Subject to, inter alia, the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares in issue and to be issued as mentioned herein on or before 27th November, 2002 (or such later date as the Lead Manager (for itself and on behalf of the Sponsors and the other Underwriters) may agree in writing with the Company and the Vendor), the Placing Underwriters have agreed to subscribe or purchase or procure subscribers or purchasers for the Placing Shares, subject to the terms and conditions of the documents relating to the Placing and the Public Offer Underwriter has agreed to subscribe or procure subscribers to subscribe for, on the terms and conditions of this prospectus and the related application forms, the Public Offer Shares now being offered for subscription under the Public Offer and which are not taken up under the Public Offer.

Grounds for termination

The obligations of the Underwriters to subscribe or purchase or procure subscribers or purchasers to subscribe for or purchase the Offer Shares are subject to termination if certain events, including force majeure, shall occur prior to 5:00 p.m. (Hong Kong time) on the day immediately preceding the day of despatch of share certificates of the Offer Shares. These events include circumstances where:

- (i) there shall develop, occur, exist or come into effect:-
 - (a) any new laws or any change in existing laws or any change in the interpretation or application thereof by any court or other competent authority of any relevant jurisdiction; or

UNDERWRITING

- (b) any change in, or any event or series of events resulting or likely to result in any change in, the financial, currency, political, military, industrial or economic conditions in Hong Kong or the PRC or internationally including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US shall be taken as an event resulting in a change in currency conditions; or
- (c) any adverse change in the conditions of Hong Kong, the PRC or international equity securities or other financial markets; or
- (d) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (e) any change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands or BVI; or
- (f) any adverse change in the business or in the financial or trading position of the Group; or
- (g) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- (h) any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out in Hong Kong, the PRC or internationally,

which, in the reasonable opinion of the Lead Manager (for itself and on behalf of the other Underwriters):

- (1) is or will be, or is likely to be, adverse to the business, financial condition or prospects of the Group taken as a whole; or
 - (2) has or will or is likely to have an adverse effect on the full subscription of all of the Offer Shares; or
 - (3) otherwise makes it inadvisable or inexpedient to proceed with the Offer, or
- (ii) there comes to the notice of any of the Sponsors, the Lead Manager or the Underwriters:
- (a) any matter or event showing that any of the warranties given by the Company, the Vendor, the covenants, Mr. Lu Ming Hui or the executive Directors under the Underwriting Agreement is or becomes untrue or inaccurate or misleading or having been breached in any respect; or
 - (b) any breach on the part of any of the Company, the executive Directors, the Vendor, Mr. Lu Ming Hui or the covenants of any of the provisions of the Underwriting Agreement; or

UNDERWRITING

- (c) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission; or
- (d) any event, act or omission which gives or is likely to give rise to any material liability of the Company or any of executive Directors or any of the Vendor or the covenantors pursuant to the indemnities referred to in the Underwriting Agreement,

then the Lead Manager (for itself and on behalf of the other Underwriters) may give written notice to the Company (with a copy of such notice to each of the Underwriters) to terminate the Underwriting Agreement with immediate effect.

Undertakings

Each of Star Master, Mr. Cheung and Mrs. Cheung (together, the “Covenantors”) has undertaken to and covenanted with the Company, CSC and First Asia (in their capacity as Sponsors) and the Underwriters and each of them that:

- (a) he or she or it shall not, and shall procure that none of his or her or its associates (as defined in the Listing Rules) and the companies controlled by, or nominees or trustees holding in trust for, him or her or it shall, within the period commencing on the date of the Underwriting Agreement and ending on the date falling six months after the date on which dealings in the Shares first commence on the Stock Exchange, sell, transfer or otherwise dispose of or create any rights in respect of any of the Shares owned or held by him or her or it, his or her or its associates (as defined in the Listing Rules) or the relevant company, nominee or trustee immediately upon completion of the Offer and the Capitalisation Issue, or sell, transfer or otherwise dispose of any interest in any shares in any company controlled by him or her 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 she or it or any of his or her or its associates (as defined in the Listing Rules) may acquire or become interested in following the date on which dealings in the Shares first commence on the Stock Exchange and that in the event of a disposal of any of the Shares at any time during the second six-month period thereafter, such disposal shall, subject to (b) below, be effected in such a manner so as not to create a disorderly or false market; and
- (b) neither he or she or it nor his or her or its associates (as defined in the Listing Rules) nor any company controlled by, him or her or it nor any nominee or trustee holding in trust for, him or her or it shall, within the period commencing on the date immediately following the date falling six months after the date on which dealings in the Shares first commence on the Stock Exchange 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 or held by him or her or it, his or her or its associates (as defined in the Listing Rules) or the relevant company, nominee or trustee immediately after completion of the Offer and the Capitalisation Issue, or dispose of any interest in any shares in any company controlled by him or her 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, she and/or it, his, her or its associates (as defined in the Listing Rules) and/or the relevant company, nominee and/or trustee

UNDERWRITING

would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Mr. Lu Ming Hui has undertaken to the Company, CSC and First Asia (in the capacity as Sponsors) and the Underwriters that, within a period of six months from the date on which dealings in the Shares commence on the Stock Exchange, he shall not sell, transfer or otherwise dispose of any interest in the Shares held by him immediately after completion of the Offer and the Capitalisation Issue.

Each of the Company, the Covenantors and the executive Directors has undertaken to and covenanted with CSC and First Asia (in their capacity as Sponsors) and the Underwriters and each of them to procure that the Company shall not:

- (a) within the period of six months from the date on which dealings in the Shares first commence on the Stock Exchange, issue or agree to issue any Shares or securities of the Company or any shares in any subsidiary of the Company 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 shares of any of its subsidiaries other than the New Shares, the granting of options under the Share Option Scheme and any Shares which may fall to be issued pursuant to the Capitalisation Issue or the exercise of options which may be granted under the Share Option Scheme or otherwise than by way of scrip dividend scheme or similar arrangements in accordance with the articles of association of the Company; and
- (b) within the period commencing on the date immediately following the date falling six months after the date on which dealings in the Shares first commence on the Stock Exchange and ending on the date falling six months thereafter, and other than as mentioned in (a) above, 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 shall result in the Covenantors (as defined in the Underwriting Agreement) ceasing to be the controlling shareholder (as defined in the Listing Rules) of the Company.

Each of the Company, the Covenantors and the executive Directors has undertaken to and covenanted with the Underwriters that save with the prior written consent of CSC and First Asia (for themselves as Sponsors) and the Lead Manager (for itself and on behalf of the other 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.

Each of the Covenantors has undertaken to and covenanted with the Stock Exchange, the Company, CSC and First Asia (in their capacity as Sponsors), the Lead Manager, and the Underwriters and each of them that he or she or it shall, within the period of twelve months after the date on which dealings in the Shares first commence on the Stock Exchange,

- (i) immediately inform the Company details of any pledge/charge of any of the Shares held by him or her or it; and
- (ii) immediately inform the Company when he or she or it receives indications, either verbal or written, from the relevant pledgee or chargee that it shall enforce its security right in respect of any of the pledged or charged Shares.

UNDERWRITING

The Company has undertaken to and covenanted with CSC and First Asia (in their capacity as Sponsors) and the Underwriters and each of them that the Company shall forthwith inform CSC and First Asia (for themselves as Sponsors), the Lead Manager (for itself and on behalf of the other Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in the paragraph above and the Company shall disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

Commission

The Underwriters shall receive a commission of 2.5% of the aggregate Offer Price of the Offer Shares, out of which they shall pay any sub-underwriting commissions. CSC and First Asia shall, in addition, receive a documentation fee. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, the Securities and Futures Commission transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Offer are estimated to amount to approximately \$12 million in total and are payable by the Company and the Vendor in the same proportion to which the number of the New Shares bears to the number of the Sale Shares.

Underwriters' interests in the Company

Save for their respective obligations under the Underwriting Agreement, none of the Underwriters has any shareholding interest in the Company or any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.