
UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

HSBC Investment Bank Asia
Bear Stearns Asia Limited
CEF Capital Limited
Advanced Partners Brokerage Limited
Cazenove Asia Limited
CLSA Limited
Vickers Ballas Capital Limited

Placing Underwriters

HSBC Investment Bank Asia
Bear Stearns Asia Limited
CEF Capital Limited
Advanced Partners Brokerage Limited
Cazenove Asia Limited
CLSA Limited
Vickers Ballas Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

The Company is offering (a) the Public Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the application forms relating thereto, and (b) the Placing Shares for subscription by way of the Placing. Subject to the GEM Listing Committee granting listing of and permission to deal in the Shares (subject only to allotment) and to certain other conditions set out in the Underwriting Agreement being satisfied not later than 20th July, 2000, (a) the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the application forms relating thereto, for the Public Offer Shares now being offered and which are not taken up under the Public Offer; and (b) the Placing Underwriters have severally agreed to apply or procure applications or places for the Placing Shares which have not been subscribed for or placed pursuant to the Placing.

Grounds for termination

The obligations of the Underwriters to subscribe or purchase or procure subscribers or purchasers for the Offer Shares are subject to termination and HSBC Investment Bank Asia (on behalf of the Underwriters) has the absolute right upon giving notice to the Company to terminate the Underwriting Agreement if certain events, including but not limited to the following, shall occur at any time prior to 6:00 p.m. on 29th June, 2000:

- (a) any breach of any of the warranties or any other provision of the Underwriting Agreement;

UNDERWRITING

- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted an omission;
- (c) any statement contained in the prospectus is discovered to be or becomes untrue, incorrect or misleading in any respect;
- (d) any event, act or omission which gives or is likely to give rise to any material liability of the Company or the Initial Management Shareholders pursuant to the indemnities contained in the Underwriting Agreement;
- (e) any adverse change in the business or the financial or trading position of any member of the Group;
- (f) any event or series of events, matters or circumstances concerning or relating to, or any change in:—
 - (i) local, national or financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong, Bermuda, the US or any other relevant jurisdiction; or
 - (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, Bermuda, the US or any other relevant jurisdiction in which the Group operates; or
 - (iii) any event of force majeure affecting Hong Kong, Bermuda, the US or any other relevant jurisdiction in which the Group operates including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
 - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or the New York Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (v) a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, Bermuda or any other relevant jurisdiction in which the Group operates or affecting an investment in the Shares or the transfer or dividend payment in respect thereof; or
 - (vi) any litigation or claim of material importance being threatened or instigated against any member of the Group;

which, in the sole opinion of HSBC Investment Bank Asia:

- (a) 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
- (b) makes it inadvisable or inexpedient to proceed with the Public Offer and/or the Placing.

UNDERWRITING

Undertakings

(A) Each of the Initial Management Shareholders jointly and severally undertakes with the Company and HSBC Investment Bank Asia that he/she/it will not and will procure that none of his/her/its associates will (unless with the prior written consent of HSBC Investment Bank Asia and unless in compliance with the GEM Listing Rules):

(i) sell, transfer or otherwise dispose of or grant any option or other right in or charge, encumber or otherwise create any security or similar interest over, or securities convertible into:

(a) any of the Shares held by him/her/it or his/her/its associates or any interests therein,

(b) any shares held directly or indirectly by him/her/it or his/her/its associates in any company which is the beneficial owner of any of the Shares or interests therein referred to in (a) above, in each case, as at the Listing Date,

(c) Shares allotted to him/her/it or his/her/its associates pursuant to any capitalisation issue effected after the Listing Date or pursuant to any exercise of options, subscription or conversion rights held immediately prior to the Listing Date, and

(d) (in the case of Ms. Peggy Chan and Passion) Shares that may be re-transferred to her/it by the executive Directors as described under “Further Information about the Company — Transfer of Shares by controlling shareholder” in Appendix VI to this prospectus (together, the “**Securities**”)

or enter into any agreement to do any of the foregoing; and

(ii) permit the registered holder to sell, transfer or otherwise dispose of or grant any option or other right in or charge, encumber or otherwise create any security or similar interest over, or securities convertible into any of his/her/its direct or indirect interest in the Securities (or enter into any agreement to do so),

within six months from the Listing Date (the “**Lock-up Period**”), except, in the case of Ms. Peggy Chan and Passion, pursuant to the Stock Borrowing Agreement provided that she/it shall, in respect of the Shares returned pursuant to the Stock Borrowing Agreement, be subject to the same restrictions and requirements imposed by this paragraph (A), and paragraphs (B) and (D) below and as if those Shares were Securities.

(B) Each of the Initial Management Shareholders further undertakes with the Company and HSBC Investment Bank Asia to:

(i) place in escrow on terms acceptable to the Stock Exchange its Securities during the Lock-up Period and (in the case of Ms. Peggy Chan and Passion) her/its Securities not yet disposed of in escrow for a further six-month period from the expiry of the Lock-up Period (the “**Additional Six-month Period**”); and

UNDERWRITING

- (ii) as part of the escrow arrangements, appoint an escrow agent acceptable to the Stock Exchange.

- (C) Each of Ms. Peggy Chan and Passion jointly and severally undertakes with the Company and HSBC Investment Bank Asia that she/it will not, and will procure that none of her/its associates will (unless with the prior written consent of HSBC Investment Bank Asia and unless in compliance with the GEM Listing Rules), do or cause to be done any of the acts referred to in paragraph (A) above during the Additional Six-month Period such that Ms. Peggy Chan and Passion would together control less than 35 per cent. of the issued Shares.

- (D) Each of the Initial Management Shareholders undertakes to the Company and HSBC Investment Bank Asia to comply with the following requirements:
 - (i) in the event that he/she/it, in compliance with the terms in paragraph (A) above, pledges or charges any direct or indirect interest in any of the Securities at any time during the Lock-up Period (and in the case of Ms. Peggy Chan and Passion, during both the Lock-up Period and the Additional Six-month Period), he/she/it will inform the Company and HSBC Investment Bank Asia immediately thereafter, disclosing the details as required by the GEM Listing Rules; and
 - (ii) to inform the Company and HSBC Investment Bank Asia immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of any such interest in the Securities and of the number of the Securities affected.

- (E) Each of the Initial Management Shareholders undertakes with the Company and HSBC Investment Bank Asia that upon any sale, transfer or other disposal of any Shares beneficially owned by him/her/it or any interest therein following the expiry of the Lock-up Period and (in the case of Ms. Peggy Chan and Passion) the Additional Six-month Period, he/she/it will take all reasonable steps to ensure that such sale, transfer or disposal will not create a disorderly or false market for the Shares or other securities of the Company.

- (F) The Company undertakes with HSBC Investment Bank Asia that it will not, and each of the Initial Management Shareholders severally undertakes with the HSBC Investment Bank Asia to procure that the Company will not, without the prior written consent of HSBC Investment Bank Asia and unless in compliance with the GEM Listing Rules:
 - (i) within the Lock-up Period issue or agree to issue or grant or agree to grant any options or warrants or other rights in or carrying the right to subscribe for, directly or indirectly, conditionally or unconditionally, any shares or other securities (including securities convertible into or exchangeable for shares) of the Company or any interest therein, or announce any intention to do so, except pursuant to an issue of shares upon the exercise of the Over-allotment Option and of options which may be granted under the Share Option Scheme, and
 - (ii) do or cause to be done any of the foregoing at any time during the Additional Six-month Period which would result in Ms. Peggy Chan and Passion together controlling less than 35 per cent. of the issued Shares.

UNDERWRITING

(G) The Company agrees that it will not, and each of the Initial Management Shareholders jointly and severally undertakes to procure that the Company will not, effect any purchase of the Company's own shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 11.23 of the GEM Listing Rules) below 15 per cent. without first having obtained the prior written consent of HSBC Investment Bank Asia.

Commission and expenses

The Underwriters will receive a commission of 2.5 per cent. of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commission. In addition, HSBC Investment Bank Asia will receive a financial advisory fee for providing advisory services and for acting as the sponsor to the Share Offer. Such financial advisory fee and commission, together with the Stock Exchange listing fees, the Stock Exchange transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK\$22 million in aggregate, will be payable by the Company.

Underwriters' interests in the Company

Save as pursuant to the Underwriting Agreement and save as described under "Sponsor's interest in the Company" below, none of the Underwriters is interested, beneficially or non-beneficially, in 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.

Sponsor's agreement

Under a sponsor's agreement dated 19th June, 2000 and made between HSBC Investment Bank Asia and the Company (the "Sponsor Agreement"), the Company appoints HSBC Investment Bank Asia and HSBC Investment Bank Asia agrees to act as a sponsor to the Company for the purpose of the GEM Listing Rules for a fee from the date the Shares are listed on GEM to 31st December, 2000 and for two years thereafter until 31st December, 2002 or until the Sponsor Agreement is terminated upon the terms and conditions set out therein.

Sponsor's interest in the Company

Save for its obligations under the Underwriting Agreement and the Sponsor Agreement, and interests in securities that may be subscribed for or purchased pursuant to the Share Offer, neither HSBC Investment Bank Asia nor its associates have or may, as a result of the Share Offer, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) except that HSBC, the indirect holding company of HSBC Investment Bank Asia, is one of principal bankers of the Group and will receive a fee for its services as the receiving banker to the Share Offer. HSBC Investment Bank Asia Holdings Limited is the holding company of HSBC Investment Bank Asia, and a subsidiary of HSBC Investment Bank Asia Holdings Limited, namely HSBC Nominees Asia Limited, will receive a fee for its services in connection with holding the application monies received pursuant to the Public Offer. HSBC Investment Bank Asia Holdings Limited has a 50 per cent. interest in Central Registration Hong Kong Limited, the Hong Kong branch share registrar and transfer office of the Company.

UNDERWRITING

No director or employee of HSBC Investment Bank Asia who is involved in providing advice to the Company has or may, as a result of the Share Offer, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

Neither HSBC Investment Bank Asia nor its associates has accrued any material benefit as a result of the successful outcome of the Share Offer, including by way of example, the repayment of material outstanding indebtedness or success fees save and except for the receipt of underwriting and placing commission by HSBC Investment Bank Asia as one of the Underwriters to the Share Offer and the financial advisory fee to be received by HSBC Investment Bank Asia, and save as otherwise disclosed in this prospectus.

No director or employee of HSBC Investment Bank Asia has a directorship in the Company or any other company in the Group.