

UNDERWRITING

UNDERWRITERS

Cash
First Shanghai Securities Limited
Hooray Securities Limited
JS Cresvale
Shun Loong Securities Company Limited
UOB Kay Hian (Hong Kong) Limited
YF Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement dated 10th June, 2002 between, among others, the Company, the executive Directors and the Underwriters, the Company is offering the Placing Shares for subscription and/or purchase 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) on or before 10th July, 2002, and to certain other conditions set out in the Underwriting Agreement being satisfied as set out therein, the Underwriters have severally agreed to apply, or procure placees, to apply for the Placing Shares which have not been placed pursuant to the Placing.

Grounds for termination

The obligations of the Underwriters to subscribe or procure subscribers and/or purchasers for the Placing Shares are subject to termination if certain circumstances arise prior to 5:00 p.m. on the date of despatch of Share certificates. The grounds for termination include, inter alia, where:

- (i) the success of the Placing has been or would or might be adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing laws or regulator or change in the interpretation or application thereof or other occurrence of any nature whatsoever in Hong Kong, the PRC, Singapore, the Cayman Islands or any other relevant jurisdictions which may in the sole and absolute opinion of Cash (for itself (in its capacity as the sponsor and the lead manager of the Placing) and on behalf of the Underwriters) materially and adversely affect the business or financial prospects of the Group taken as a whole; or
 - (b) 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 of the Underwriting Agreement 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

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or other nature, whether or not sui generis with any of the foregoing, resulting in an adverse change in, or which would in the sole and absolute opinion of Cash, for itself (in its capacity as the sponsor and the lead manager of the Placing) and on behalf of the Underwriters) be expected to result in a material and adverse change in, political, economic or stock market conditions; or

- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout shall have occurred, happened or come into effect; or
 - (d) 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
 - (e) a change or development involving a prospective change in taxation in Hong Kong, the Cayman Islands, Singapore or the PRC or elsewhere or the implementation of exchange controls which shall or would materially and adversely affect the Company or its present or prospective shareholders in their capacity as such; or
- (ii) any change in the conditions of local, national or international securities markets occurs which in the sole and absolute opinion of Cash (for itself (in its capacity as the sponsor and the lead manager of the Placing) 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 Placing; or
- (iii) there comes to the notice of Cash and/or JS Cresvale (for themselves and in their capacities as the sponsors of the Placing and on behalf of the Underwriters) any matter or event showing any of the warranties contained in the Underwriting Agreement to be untrue or inaccurate in any material respect; or
- (iv) any of the executive Directors, the covenantors named in the Underwriting Agreement and/or the Company commits any breach of, or omits to observe in any material respect, any of the obligations or undertakings expressed to assumed by them under the Underwriting Agreement.

Undertakings

- (A) Each of the Initial Management Shareholders has given non-disposal undertakings, details of which are described in the section headed “Initial Management Shareholders” in this prospectus.

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- (B) The Company undertakes to the Underwriters that it will not, without the prior written consent of Cash and unless in compliance with the GEM Listing Rules, 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 within six months from the Listing Date.

- (C) The Company undertakes to the Underwriters that it will not, within six months from the Listing Date, 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).

Commission and expenses

The Underwriters will receive a commission of 4% of the aggregate Placing Price of all the Placing Shares, out of which each Underwriter will pay its own sub-underwriting commission, if any. In addition, the Sponsors will receive financial advisory and documentation fee for providing advisory services and for acting as the sponsors to the Company. Such fee and commission, together with the Stock Exchange listing fees, the Stock Exchange transaction levy/trading fee, legal and other professional fees, printing and other expenses relating to the Placing which are currently estimated to be approximately HK\$13 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 "Sponsors' 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 10th June, 2002 and made between Cash and the Company (the "Sponsor's Agreement"), the Company appoints and Cash agrees to act as sponsor to the Company for its listing on GEM and in accordance with the GEM Listing Rules for a fee from the Listing Date to 31st December, 2004 (being the last day of the second full financial year of the Company after its listing on GEM or until the Sponsor's Agreement is terminated upon the terms and conditions set out therein).

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Sponsors' interest in the Company

Save for its obligations under the Underwriting Agreement and the Sponsor's Agreement, and interests in securities that may be subscribed for or purchased pursuant to the Placing, neither the Sponsors nor their respective associates have or may, as a result of the Placing, 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).

No director or employee of the Sponsors who is involved in providing advice to the Company has or may, as a result of the Placing, 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 Placing).

Neither the Sponsors nor their respective associates has accrued any material benefit as a result of the successful outcome of the Placing, including by way of example, the repayment of material outstanding indebtedness or success fees save and except for the receipt of underwriting commission by the Sponsors as the Underwriters to the Placing and the financial advisory fee to be received by the Sponsors, and save as otherwise disclosed in this prospectus.

No director or employee of the Sponsors has a directorship in the Company or any other company in the Group.