
UNDERWRITING

UNDERWRITER

Vickers Ballas

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Placing Shares for subscription by way of Placing, subject to the terms and conditions of this prospectus. Subject, among other things, to listing of and permission to deal in the Shares in issue and to be issued as mentioned herein being granted by the GEM Listing Committee, and the fulfillment of certain other conditions set out in the Underwriting Agreement, in each case on or before 25th October, 2001, the Underwriter has agreed to procure placees for the Placing Shares and has agreed to subscribe/purchase or procure subscribers/purchasers for any Placing Shares not taken up by placees under the Placing which have not been subscribed for or placed pursuant to the Placing.

Grounds for termination

The obligations of the Underwriter to subscribe, or procure subscribers are subject to termination if certain events, including force majeure, shall occur prior to 6:00 p.m. on the day immediately preceding the day on which dealings in the Shares on GEM first commence. The Underwriter is entitled to terminate its obligations under the Underwriting Agreement with immediate effect by giving written notice to the Company at any time prior to such time if the following events shall have occurred:

- (i) there shall develop, occur or come to into force:–
 - (a) 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 would in the reasonable opinion of Vickers Ballas (in its capacity as the lead manager of the Placing) materially and adversely affect the business or financial conditions or prospects of the Company or the Group taken as a whole; or
 - (b) 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, of a nature limited 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
 - (c) 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
 - (d) a change or development involving a prospective change in taxation in Hong Kong, the PRC, the BVI or the Cayman Islands or the implementation of exchange controls which shall or might materially and adversely affect the Company or the Group taken as a whole; or

UNDERWRITING

- (e) there has been a material adverse change or deterioration in the conditions of local, national or international securities markets; or
- (f) there has been a material adverse change in the financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in the PRC and Hong Kong; or
- (g) **there shall have occurred any event of force majeure affecting Hong Kong, the PRC, United States or any other relevant jurisdiction including without limitation, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out or any escalation of hostilities involving Hong Kong, the PRC, United States or any other relevant jurisdiction,**

and in the reasonable opinion of Vickers Ballas (in its capacity as the lead manager of the Placing), the business, financial or other condition or prospects of the Group taken as a whole would be or could be expected to be materially and adversely affected thereby, or it would be inexpedient or inadvisable to proceed with the Placing a result thereof;

- (ii) there comes to the notice of the Underwriter that:–
 - (a) any of the Company, Initial Management Shareholders and the executive Directors commits any material breach of, or omits to observe in any material respect, any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or
 - (b) any information, matter or event showing any of the representations and warranties to be untrue, inaccurate or misleading or, if repeated immediately after the occurrence thereof, would be untrue, inaccurate or misleading in any respect reasonably considered by the Underwriter or might render or lead the Underwriter to reasonably believe that (as to be determined solely by the Underwriter) untrue, inaccurate or misleading any statement, whether of fact or opinion, contained in this prospectus if the same were issued immediately after such occurrence; or
 - (c) there is any matter, which, has arisen and has not been disclosed in this prospectus, that constitutes a material omission therefrom; or
 - (d) there is any material statement contained in this prospectus which is discovered to be or becomes untrue, incorrect or misleading; or
 - (e) any information, matter or event which in the reasonable opinion of Vickers Ballas (in its capacity as the lead manager of the Placing) would lead or could reasonably be expected to lead to material adverse change in the business or in the financial or trading position or prospects of the Group taken as a whole.

UNDERWRITING

Undertakings

Each of the Initial Management Shareholders, namely Mr. Y.S. Lau, Mr. S.S. Lau, Mr. Man, Mrs. Lau, Mr. Lim and World One, has jointly and severally undertaken with the Company, the Underwriter, and the Stock Exchange that, save as permitted by Rule 13.18 of the GEM Listing Rules (a) he, she and it shall not, and shall procure that none of his, her or its associates (as defined in the GEM Listing Rules) or companies controlled by or nominees or trustee holding on trust for him, her or it shall, within the period of six months from the date on which dealings in the Shares first commence on the Stock Exchange (the “First Six Month Period”), sell, transfer or otherwise dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of his/her or its direct or indirect interests in the Relevant Securities; and (b) within a further six months commencing on the expiry of the First Six Month Period (the “Second Six Month Period”), he/she or it shall not, and will procure that none of his/her or its associates (as defined in the GEM Listing Rules) will, dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of his/her or its direct or indirect interests in the Relevant Securities if, immediately following such disposal, the Initial Management Shareholders, taken together, would, directly or indirectly, cease to control 35% or more of the voting rights at general meetings of the Company. In addition, each of the Initial Management Shareholders has undertaken with the Company and Vickers Ballas that in the event of any disposal of his/her or its Relevant Securities or any such interests referred to in paragraph (b) above after the First Six Month Period, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares.

Each of the Initial Management Shareholders has undertaken to the Company, the Underwriter and the Stock Exchange that (i) during the First Six Month Period after the Listing Date, it/he/she will place its/his/her respective Relevant Securities in escrow with an escrow agent on terms acceptable to the Stock Exchange; and (ii) during the Second Six Month Period, he, she or it will continue to place he, her or its Relevant Securities in escrow such that the Initial Management Shareholders will together maintain control of not less than 35% of the voting powers at general meeting of the Company.

Each of the Initial Management Shareholders further undertakes to the Company, the Underwriter and the Stock Exchange that during the First Six Month Period and the Second Six Month Period (a) if he/she or it pledges/charges any interests in the Relevant Securities (as defined in the GEM Listing Rules), he/she or it shall immediately give prior written notice to the Company and Vickers Ballas of such pledges/charges together with, the number of securities so pledged/charged, the purpose for which the pledge or charge is made and such other relevant details as the Company or Vickers Ballas may reasonably require; and (b) when he/she or it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged interests in the Relevant Securities by him/her or it will be or has been disposed of, he/she or it will immediately inform the Company and Vickers Ballas in writing of such indications of disposal. The Company undertakes to Vickers Ballas and the Stock Exchange to immediately inform Vickers Ballas and the Stock Exchange of the matters referred to in paragraph (a) or (b) above and publish a press announcement thereof immediately upon receipt of all material information relating thereto.

Each of the Initial Management Shareholders, executive Directors and the Company undertakes to and covenants with Vickers Ballas (in its capacity as lead manager, sponsor of the Placing and Underwriter) to procure that the Company shall not, save pursuant to the Placing, the Capitalisation Issue, the Over-allotment Option, the grant of any option under the Share Option

UNDERWRITING

Scheme or the Pre-IPO Share Option Schemes or the issue of Shares upon the exercise of the Over-allotment Option or any option granted or which may be granted under the Share Option Scheme or the Pre-IPO Share Option Schemes, (a) within the First Six Month Period, issue or agree to issue any shares or securities in the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of the Company and (b) at any time during the Second Six Month Period, issue or grant any options or rights to subscribe or otherwise convert into or exchange for Shares or securities in the Company so as to result in the Initial Management Shareholders together ceasing to control 35% or more of the voting rights at general meetings of the Company.

Mr. Y.S. Lau, the ultimate beneficial owner of World One, has given an undertaking to the Company, the Underwriter and the Stock Exchange that he will not dispose of (or enter into any arrangement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of his direct or indirect interest in World One for a period of 12 months from the Listing Date. Mr. Y. S. Lau has further undertaken to the Company, the Underwriter and the Stock Exchange that during the First Six Month Period and the Second Six Month Period (a) if he pledges/charges any securities or interests in the securities of World One beneficially owned or controlled by him, he shall immediately give prior written notice to the Company and Vickers Ballas of such pledges/charges together with the number of securities so pledged/charged, the purpose for which the pledge or charge is made and such other relevant details as the Company or Vickers Ballas may reasonably require; and (b) when he receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities or interests in the securities of World One will be or has been disposed of, he will immediately inform the Company and Vickers Ballas in writing of such indications of disposal. The Company undertakes to Vickers Ballas to immediately inform Vickers Ballas of the matters referred to in paragraph (a) or (b) above.

Commission

The Underwriter will receive a commission of 2.5% on the Issue Price per Share, out of which they will, as the case may be, pay any sub-underwriting commissions. Vickers Ballas will, in addition, receive a documentation fee. The underwriting commission, documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Placing are estimated to amount to approximately HK\$7.7 million in total.

Underwriter's interest in the Company

Save for its obligations under the Underwriting Agreement and the Underwriter's interests as disclosed below, the Underwriter does not have any shareholding interest in the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.