

## UNDERWRITING

### UNDERWRITERS

#### Placing Underwriter

Taifook Securities

#### Public Offer Underwriters

Taifook Securities

China Merchants Securities (HK) Co., Ltd.

CIMB-GK Securities (HK) Limited

First Shanghai Securities Limited

Phillip Securities (Hong Kong) Limited

South China Securities Limited

Sun Hung Kai International Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the application forms relating hereto and is offering the Placing Shares for subscription by the professional, institutional and private investors on and subject to the terms and conditions of the Placing, in each case at the Offer Price. Subject to, among other things, the Lead Manager (for itself and on behalf of the Underwriters) and the Company agreeing to the Offer Price and the approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein (and such listing and permission not subsequently being revoked prior to the date on which dealings in the Shares first commence on the Stock Exchange) being granted by the Listing Committee of the Stock Exchange on or before 18 December 2006 or such later date as the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters) may in its absolute discretion determine, the Public Offer Underwriters have agreed to subscribe or procure subscribers, on the terms and conditions of this prospectus and the application forms relating hereto, for the Public Offer Shares now being offered for subscription but not taken up under the Public Offer, and the Placing Underwriter has agreed to subscribe or procure subscribers, on and subject to the terms and conditions of the Placing, for the Placing Shares.

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### Grounds for termination

The Lead Manager (for itself and on behalf of the Sponsor and the Underwriters) is entitled to terminate the Underwriting Agreement by giving written notice to the Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date if any of the following events shall occur prior to such time:

- (a) there shall develop, occur or come into effect:
  - (i) any new law or regulation or any change, whether or not forming part of series of changes, in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority; or
  - (ii) any change in (including any event or series of events concerning or relating to or otherwise having an effect on) Hong Kong, the PRC (other than Macau), the BVI, the Cayman Islands, the US, national, regional, international, financial, political, military, industrial, fiscal, regulatory, economic, currency exchange rates, exchange control, stock or other financial market conditions, prospects, circumstances or matters; or
  - (iii) any change in the conditions of the Hong Kong or international securities markets (or in conditions affecting a sector, only of such markets); or
  - (iv) without prejudice to sub-paragraph (ii), (iii) above or (v) below, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the Main Board or Growth Enterprise Market of the Stock Exchange due to exceptional financial circumstances or otherwise, or minimum prices having been established for securities traded thereon; or
  - (v) without prejudice to sub-paragraph (ii), (iii) or (iv) above, a general banking moratorium is declared by Hong Kong, the PRC (other than Macau), the US or other relevant authorities; or
  - (vi) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US; or
  - (vii) a change in the exchange rate between any two or more of the US dollar, the Hong Kong dollar and the PRC Renminbi; or
  - (viii) a change or development involving a prospective change in taxation or exchange controls (or implementation of any exchange control) in Hong Kong, the BVI, the Cayman Islands, the PRC (other than Macau) or any other jurisdictions relevant to the Company and/or any of its subsidiaries; or

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- (ix) any investigation or litigation or claim being threatened or instituted against any Director or the Company or any of its subsidiaries; or
- (x) any event, or series of events (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, accident, interruption, explosion, epidemic, terrorism, strike or lockout); or
- (xi) any other change which is ejusdem generis with any of the foregoing;

and any such event, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Sponsor and the Underwriters) has or may have a material adverse affect on (aa) the business or financial condition or prospects of the Group taken as a whole or (bb) the level of the Placing Shares and/or Public Offer Shares being applied for or accepted, or the distribution of the Public Offer Shares or (cc) the Share Offer or makes it inadvisable or inexpedient to proceed with the Share Offer; or

- (b) there comes to the notice of the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters) any matter or event showing any of the representations and warranties contained in the Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters) in its sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on the Company or the executive Directors, Harmonious World and Fairmout Investments not to have been complied with in any respect considered by the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters) in its sole and absolute opinion to be material; or
- (c) there comes to the notice of the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters) any breach on the part of the Company or any of the executive Directors, Harmonious World and Fairmout Investments of any provisions of the Underwriting Agreement in any respect which is considered by the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
- (d) any statement contained in this prospectus or in the submissions, documents or information provided to the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters), the Stock Exchange and any other parties involved in the Share Offer which in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

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- (e) matters have arisen or have been discovered immediately before the date of this prospectus which would, if this prospectus was to be issued at that time, constitute, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters), a material omission from this prospectus; or
- (f) there is any material adverse change in the business or in the financial or trading position or prospects of the Group which in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters) is material in the context of the Share Offer; or
- (g) there has occurred any event, act or omission which gives or is likely to give rise to any material liability of any party to the Underwriting Agreement (except the Sponsor, the Lead Manager and the Underwriters) pursuant to the warranties or indemnities given in the Underwriting Agreement; or
- (h) there comes to the notice of the Sponsor, the Lead Manager or any of the Underwriters any information, matter or event which in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Sponsor and the other Underwriters):
  - (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regards to Directors (Form B) given by any Director pursuant to the Share Offer; or
  - (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of the Group.

## UNDERTAKINGS

Each of Harmonious World, Mr. Cheng Man Tai and Madam Ngok Ming Chu has undertaken to the Company, the Sponsor and the Underwriters not to dispose of his interest in the Company during certain period save under the Securities Lending Agreement. Details of such non-disposal undertaking are set out in the paragraph headed "Restrictions on disposal of Shares" in the section headed "Persons having interest notifiable under the SFO" in this prospectus.

The Company has also undertaken to the Sponsor, the Lead Manager and the Underwriters that except pursuant to the Share Offer, the Capitalisation Issue, the Securities Lending Agreement, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of the Over-allotment Option and any options that have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, without the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters), it and its major subsidiaries (as defined in Rule 13.36(1)(a)(ii) of the Listing Rules) will not issue or agree to issue (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or

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exchange for any securities of, the Company or any of its major subsidiaries (as defined above) within the period commencing from the date of this prospectus and ending on the expiry of the first six months from the Listing Date.

### **Commission and expenses**

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of the Offer Shares, out of which they will pay any sub-underwriting commissions. In addition, the Sponsor will receive advisory and documentation fees for acting as the Sponsor to the Share Offer. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK\$3.24 (being the mid-point of the indicative Offer Price range of HK\$2.86 per Offer Share and HK\$3.62 per Offer Share), such underwriting commission and fees, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, applicable printing and other expenses relating to the Share Offer are estimated to amount of approximately HK\$24 million in total and are payable by the Company.

### **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.