

UNDERWRITERS

Sun Hung Kai International Limited
Polaris Securities (Hong Kong) Limited
Taiwan Securities (Hong Kong) Company Limited
SBI E2-Capital Securities Limited
Tai Fook Securities Company Limited
Barits Securities (Hong Kong) Limited
CAF Securities Company Limited
CCB International Capital Limited
CMB International Capital Corporation Limited
Core Pacific - Yamaichi International (H.K.) Limited
Goldbond Securities Limited
Shenyin Wanguo Capital (H.K.) Limited
VC Brokerage 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 thereto at the Offer Price. The Company is also offering the Placing Shares for Placing with selected professional, institutional and private investors at the Offer Price. Subject to the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus being granted by the Listing Committee of the Stock Exchange and to certain other conditions set out in the Underwriting Agreement, the Underwriters have severally agreed to subscribe or procure subscribers to subscribe, on the terms and conditions of this prospectus and the application forms relating thereto, for the Offer Shares now being offered for subscription and which are not taken up under the Share Offer.

Grounds for termination

The Sponsor (for itself and on behalf of the Underwriters) shall be entitled by notice in writing given to the Company prior to 8:00 a.m. (Hong Kong time) on the Listing Date to rescind the Underwriting Agreement if any of the following events shall occur prior to such time:

- (a) there shall develop, occur or come into force:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction(s) relevant to the Company and its subsidiaries or any other similar event which in the sole and absolute opinion of the Sponsor (for itself and on behalf of the Underwriters) has or is likely to have material adverse effect on the business or financial conditions or prospects of the Group; or

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- (ii) any change (whether or not permanent) in Hong Kong, Asia, national, regional, international, financial, military, industrial or economic, conditions or prospects, stock market, fiscal or, political conditions regulatory or market conditions and matters and/or disasters; or
- (iii) any change in the conditions of the Hong Kong or international securities markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or
- (iv) without prejudice to sub-paragraph (i) or (iii) of this paragraph, 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
- (v) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) which in the sole and absolute opinion of the Sponsor (for itself and on behalf of the Underwriters) has or is likely to have the effect of making any part of the Underwriting Agreement (including Underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payment pursuant to the Share Offer or pursuant to the underwriting thereof; or
- (vi) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, the BVI, the Cayman Islands or any other jurisdiction to which any member of the Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of the Sponsor (for itself and on behalf of the Underwriters) would or might materially adversely affect the Group or its present or prospective shareholders in their capacity as such; or
- (vii) any litigation or claim of material importance to the business, financial or operations of the Group being threatened or instituted against any member of the Group; or
- (viii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States of America or by the European Union (or any member thereof) on the PRC or Hong Kong;

and any such event, in the sole and absolute opinion of the Sponsor (for itself and on behalf of the Underwriters), has or may have a material adverse effect on the Share Offer, or makes it inadvisable or inexpedient to proceed with the Share Offer; or

- (b) there comes to the notice of the Sponsor (for itself and on behalf of the Underwriters) any matter or event showing any of the representations and warranties contained in the Underwriting Agreement to be materially untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be materially untrue or inaccurate in any respect considered by the Sponsor (for itself and on behalf of the Underwriters) in its sole and

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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 covenantors under the Underwriting Agreement not to have been complied with in any respect considered by the Sponsor (for itself and on behalf of the Underwriters) in its sole and absolute opinion to be material; or

- (c) there comes to the notice of the Sponsor (for itself and on behalf of the Underwriters) any breach on the part of the Company or any of the covenantors under the Underwriting Agreement of any provisions of the Underwriting Agreement in any respect which is considered by the Sponsor (for itself and on behalf of the Underwriters) to be material in the context of the Share Offer; or
- (d) any statement contained in this prospectus, the submissions, documents or information provided to the Sponsor (for itself and on behalf of the Underwriters), the Stock Exchange, the legal adviser to the Sponsor and the Underwriters and any other parties involved in the Share Offer which in the sole and absolute opinion of the Sponsor (for itself and on behalf of the Underwriters) has become or been discovered to be materially untrue, incorrect, incomplete or misleading in any respect; or
- (e) matters have arisen or have been discovered which would, if this prospectus was to be issued at that time, constitute, in the sole and absolute opinion of the Sponsor (for itself and on behalf of the Underwriters), a material omission of such information; or
- (f) there is any 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 Sponsor (for itself and on behalf of the Underwriters) is material in the context of the Share Offer; or
- (g) there comes to the notice of the Sponsor or any of the Underwriters any information, matter or event which in the sole and absolute opinion of the Sponsor (for itself and on behalf of the Underwriters):
 - (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard 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 Ms. Tsang, Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. (together, the “Covenantors”) jointly and severally undertakes to and covenants with the Stock Exchange, the Company, the Sponsor and the Underwriters that:

- (a) she and it will not, and will procure that none of her or its associates or the companies controlled by her or it will, within the period commencing on the date by reference to which disclosure of the shareholding of the Covenantors are made in this prospectus and ending

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on the six months from the Listing Date (the “First Six Month Period”), sell, transfer, dispose of or create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) on any of the Shares or any interests therein owned by her or it or any of their associates or in which she, it or any of their associates is, directly or indirectly interested immediately after the completion of the Share Offer (or any other shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise), or sell, transfer, dispose of or create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares or interest in any company controlled by her, or it or any of their associates which is the beneficial owner (directly or indirectly) of any of such Shares or any interests therein as aforesaid (or any other shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

- (b) within a further six months commencing on the expiry of the First Six Month Period (the “Second Six Month Period”), she and it will not and will procure that none of her or its associates or the companies controlled by her or it or any of their associates will sell, transfer, dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any Shares or any interests therein referred to in paragraph (a) above sell, transfer, dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares in any company controlled by her or it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or any interests therein as aforesaid if, immediately following such disposal or creation of rights, any of them (together with her or its associates), either individually or taken together with the others, would, directly or indirectly, cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers (the “Code”) as being the level for triggering a mandatory general offer, in any of the companies controlled by her, it and/or any of their associates which owns such Shares or interests as aforesaid.

The Company and each of the Covenantors undertakes to and covenants with the Stock Exchange, the Sponsor and the Underwriters that it will procure the Company that save pursuant to the Share Offer, the grant of any option under the Pre-IPO Share Option Scheme, the Share Option Scheme, or the issue of Shares upon exercise of any option granted under the Pre-IPO Share Option Scheme, the Share Option Scheme or the issue of shares upon exercise of the Over-allotment Option, (a) within the First Six Month Period, the Company and its major subsidiaries (as defined in Chapter 13 of the Listing Rules) will not, issue or agree to issue (conditionally or unconditionally) any shares or securities of, or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of, the Company or any of its major subsidiaries (defined as aforesaid); and (b) at any time during the Second Six Month Period, issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities in the Company or any of its major subsidiaries (defined as aforesaid) so as to result in any of the Covenantors (together with any of their associates) either individually or taken together with the others of them

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cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Code as being the level for triggering a mandatory general offer in any of the companies controlled by her or it or any of their associates which owns any Shares or the Company ceasing to hold a controlling interest of over 30% directly or indirectly, in any of such major subsidiaries (defined as aforesaid).

Each of the Company and the Covenantors undertakes to and covenants with the Stock Exchange, the Sponsor and the Underwriters that save with the prior written consent of the Sponsor (for itself and on behalf of the Underwriters), no company in the Group will during the First Six Month Period purchase any securities of the Company.

Each of the Covenantors undertakes and covenants with the Stock Exchange, the Company, the Sponsor and the Underwriters that:

- (a) save with the prior written consent of the Sponsor (for itself and on behalf of the Underwriters), during the period of 12 months from the Listing Date, she or it shall not and shall procure that none of her or its associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by her or it or any of their associates or in which she or it or any of their associates is, directly or indirectly interested immediately following completion of the Share Offer (or any other shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise) or any share or interest in any company controlled by her or it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and
- (b) when she or it or any of their associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in paragraph (a) above, she or it shall give prior written notice of not less than three Business Days to the Stock Exchange, the Company, the Sponsor and the Underwriters giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the “Mortgagee”) in favour of whom the pledge, charge, encumbrance or interest is created and further if she or it or any of their associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in paragraph (a) above, she or it will immediately notify the Stock Exchange, the Company, the Sponsor and the Underwriters in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, the Company, the Sponsor and the Underwriters as they may require.

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The Company undertakes and covenants with the Stock Exchange, the Sponsor and the Underwriters that the Company shall forthwith inform the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraph (b) above and the Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

Commission and expenses

The Public Offer Underwriter will receive a commission of 2.5% of the aggregate Offer Price of all the Public Offer Shares and the Placing Underwriters will receive an underwriting commission of 2.5% of the aggregate of the Offer Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions. Sun Hung Kai will receive a documentation fee. The underwriting commission, the documentation fee, the Stock Exchange listing fees and trading fee, the SFC transaction levy, the legal and other professional fees together with applicable printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$16 million in total and are payable by the Company. The estimated amount of commission and expenses is based on an Offer Price of HK\$0.98 (being the mid-point of the Offer Price range as stated in this prospectus) and the assumptions that the Over-allotment Option is not exercised.

Underwriters' interests in the Company

Save for their respective obligations under the Underwriting Agreement and the Stock Borrowing Agreement, none of the Sponsor or 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.