
UNDERWRITING

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Underwriters

The Bank of East Asia, Limited
Chong Hing Bank Limited
Taifook Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Offer Shares for subscription on the terms and subject to the terms and the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Underwriting Agreement, the Underwriters have agreed severally to subscribe or procure subscribers to subscribe, on the terms and subject to the conditions of this prospectus and the Application Forms, for the Offer Shares (other than the Assured Entitlement of the Reserved Shares which Charron has undertaken to fully take up in the Underwriting Agreement) which are being offered but are not taken up under the Share Offer.

Grounds for termination

The respective obligations of the Underwriters to subscribe for or procure subscribers to subscribe for the Offer Shares will be subject to termination by notice in writing from BEA (for itself and on behalf of the Underwriters) to the Company if any of the following events shall occur prior to 8:00 a.m. on the Listing Date:

- (i) any change in the conditions of local, national or international securities markets; or
- (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of issue of the prospectus, not having been disclosed in the prospectus, would have rendered any matter untrue, incorrect or misleading or constituted an omission in any respect considered by BEA (in its sole and absolute opinion) to be material; or
- (iii) there comes to the knowledge of any of the Underwriters that any statement contained in the prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any respect considered by BEA (in its sole and absolute opinion) to be material; or
- (iv) any breach of the representations, warranties and undertakings to be given by the Company and executive Directors has occurred which is considered by BEA to be material; or

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- (v) there comes to the notice of any of the Underwriters any information, matter or event which in the sole and absolute opinion of BEA (for itself and on behalf of the Underwriters) is or may lead to a material adverse change in the business, or in the financial or trading position of any member of the Group as a whole which is material in the context of the Share Offer; or
- (vi) there shall have occurred or developed any litigation or claim of any third party being threatened or instigated against any member of the Group which will or is reasonably likely to result in the Group incurring liability that is material to the Group taken as a whole; or
- (vii) any of the executive Directors and/or member of the Group commits any breach of, or omits to observe in any material respect, any of the obligations or undertakings expressed to be assumed by any of them under the Underwriting Agreement; or
- (viii) there comes to the notice of any of the Underwriters any information, matter or event which in the sole and absolute opinion of BEA:-
 - (a) is inconsistent in any material respect with any information contained in any declaration and undertaking made by each of the Directors in the form of Form B in appendix 5 to the Listing Rules given by any Director pursuant to the Share Offer; or
 - (b) would cast any serious doubt on the integrity or reputation of any Director or the reputation of the Group; or
- (ix) there shall have occurred, happened or come into effect any event or series of events, matters or circumstances concerning or relating to, or any change in:-
 - (a) any new laws or any change in existing laws or any change in the interpretation or application thereof or other occurrence of any nature whatsoever by any court or other competent authority in Hong Kong or Bermuda or any other relevant jurisdictions relevant to the Group; or
 - (b) local, national or international event, development or change (or series thereof) of a political, military, industrial, financial, economic, terrorism or other nature, resulting in an adverse change in political, economic or stock market conditions in Hong Kong, Japan or US; 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 or exchange control (or the implementation of any exchange control) in Hong Kong, Bermuda or any other jurisdictions relevant to the Group; or

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- (e) any event of force majeure affecting Hong Kong, the PRC, Bermuda, the British Virgin Islands 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, act of terrorism, strike or lock-out or any escalation of hostilities involving Hong Kong, the PRC or any other relevant jurisdictions; or
- (f) the imposition of economic sanctions or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) on Hong Kong or the PRC; or
- (g) any other change whether or not ejusdem generis with any of the foregoing,

which, in the sole and absolute opinion of BEA:

- (1) 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
- (2) has or will or is likely to have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied and/or subscribed for; or
- (3) makes it inadvisable or inexpedient to proceed with the Share Offer,

then BEA may, on behalf of the Underwriters, upon giving notice to the Company (for itself and on behalf of the Directors) pursuant to the Underwriting Agreement prior to or at 8:00 a.m. on the Listing Date (with a copy of such notice to each of the Directors and the Underwriters), terminate the Underwriting Agreement with immediate effect.

Undertakings

Pursuant to the Underwriting Agreement, Charron has undertaken to the Company, the Joint Sponsors and the Underwriters that neither they nor any of their associates (as defined in the Listing Rules) nor any company controlled by any of them nor any nominee or trustee holding in trust for any of them will sell, transfer or otherwise dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares owned or held by them or their relevant company, nominee or trustee immediately after completion of the Share Offer or sell, transfer or otherwise dispose of (save pursuant to a pledge or charge as security for a bona-fide commercial loan or otherwise permitted under the Listing Rules) or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any interest in any shares in any company controlled by any of them which is directly, or through another company indirectly, the beneficial owner of any of the Shares in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (“the First Six-month Period”).

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In addition, Charron has undertaken to the Company, the Joint Sponsors and the Underwriters that neither they nor any of their associates (as defined in the Listing Rules), nor any company controlled by any of them nor any nominee or trustee holding in trust for any of them will, during the period of six-months commencing on the date on which the First Six-month Period expires, sell, transfer or otherwise dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares owned or held by any of them or their relevant company, nominee or trustee immediately after completion of the Share Offer or sell, transfer or otherwise dispose of (save pursuant to a pledge or charge as security for a bona-fide commercial loan or otherwise permitted under the Listing Rules) or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any interest in any shares in any company controlled by any of them which is directly, or through another company indirectly, the beneficial owner of any of the Shares, if, immediately following such disposal or upon the exercise or enforcement of such options, Charron and/or any companies controlled by it, its nominee or trustee would cease to be a controlling shareholder (as defined under the Listing Rules) of the Company and that, in the event of such disposal, such disposal will be effected in such a manner so as not to create a disorderly or false market of the Shares.

Each of the Company and the executive Directors undertakes to and covenants with the Joint Sponsors and the Underwriters to procure that, the Company and its subsidiaries shall not within the period of six months from the Listing Date, issue or agree to issue any shares in the Company or any subsidiary or grant or agree to grant any options, warrants or other rights carrying any right to subscribe for or otherwise acquire any securities of the Company or any subsidiary other than the Offer Shares.

Charron undertakes to and covenants with the Stock Exchange, the Company, the Joint Sponsors and the Underwriters that within the period commencing on the date of this prospectus and ending on the date which is twelve months from the Listing Date, it will:

- (i) when it pledges or charges any securities or interest in the securities of the Company beneficially owned by it, whether directly or indirectly in favour of an authorized institution, it shall immediately inform the Company details of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) immediately inform the Company when it receives indications, either verbal or written, from the relevant pledgee or chargee that any of the pledged or charged securities will be disposed of.

The Company undertakes to and covenants with the Joint Sponsors, the Underwriters that the Company shall forthwith inform the Joint Sponsors (for themselves and on behalf of the Underwriters) and the Stock Exchange immediately after it has been informed of the matters referred to in the preceding paragraphs and the Company shall disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

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Preferential Offer

Under the Underwriting Agreement, any of the Reserved Shares being offered pursuant to the Preferential Offer and not taken up by the Qualifying EIHL Shareholders will be re-allocated to the Public Offer and fully underwritten by the Underwriters.

Commission and expenses

In connection with the Share Offer, the Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Offer Shares (excluding Charron's Assured Entitlements under the Preferential Offer), out of which they will pay any sub-underwriting commissions. The Joint Sponsors will receive an advisory and documentation fee as joint sponsors to the Share Offer.

Based on the Offer Price of HK\$0.38, the fees and commission in connection with the Share Offer, 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 are currently estimated to be approximately HK\$15 million, of which approximately HK\$4.9 million has been charged to the profit and loss accounts of the Group for the nine months ended 31 December 2006.

The Company has agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement and any breach by the Company of the Underwriting Agreement.

Underwriters' interests in the Company

None of the Underwriters has any shareholding in any member of 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.

Each of The Bank of East Asia, Limited and Chong Hing Bank Limited and certain of their subsidiaries or affiliates have banking relationship with the Company and/or its subsidiaries and associates from time to time for which they have received interests and fees. In addition, The Bank of East Asia, Limited will also receive a fee for acting as the receiving banker for the Share Offer.