

UNDERWRITING

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Placing Underwriters

Goldbond Securities Limited
GC Capital (Asia) Limited
Guotai Junan Securities (Hong Kong) Limited
Shenyin Wanguo Capital (H.K.) Limited
Tai Fook Securities Company Limited
Toyo Securities Asia Limited
UOB Kay Hian (Hong Kong) Limited

Public Offer Underwriters

Goldbond Securities Limited
GC Capital (Asia) Limited
Guotai Junan Securities (Hong Kong) Limited
Shenyin Wanguo Capital (H.K.) Limited
Tai Fook Securities Company Limited
UOB Kay Hian (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, and conditional upon, inter alia, 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 in this prospectus on or before 30 December 2004, and certain other conditions set out in the Underwriting Agreement being satisfied and/or waived as set out therein, the Placing Underwriters have severally agreed to subscribe for, purchase or procure subscribers or purchasers for, on the terms and conditions of this prospectus and the placing documents, the Placing Shares, and the Public Offer Underwriters have severally agreed to subscribe for or to procure subscribers for, on the terms and conditions of this prospectus and the Application Forms, for the Public Offer Shares which are being offered but are not taken up under the Public Offer.

Grounds for termination

The Lead Underwriter (for itself and on behalf of the Underwriters) shall have the absolute right to terminate the Underwriting Agreement after such consultation with the Company as the Lead Underwriter in its sole and discretion sees fit, by notice in writing to

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the Company at any time prior to 8:00 a.m. on the Listing Date if any of the following events occurs prior to such time:

- (a) in the sole and absolute opinion of the Lead Underwriter, the success of the Share Offer has been or would or might be adversely affected by:
 - (i) the introduction of 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 in Hong Kong, the PRC or any other relevant jurisdictions which may in the sole and absolute opinion of the Lead Underwriter materially and adversely affect the business or the financial prospects of the Group taken as a whole; or
 - (ii) 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 or other nature, resulting in an adverse change in, or which would in the sole and absolute opinion of the Lead Underwriter be expected to result in a material and adverse change in political, economic or stock market conditions; or
 - (iii) 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
 - (iv) a change or development involving a prospective change in taxation in Hong Kong, the Cayman Islands or the PRC or elsewhere or the implementation of exchange controls which shall or would materially and adversely affect the Group or its present or prospective shareholders in their capacity as such; or
 - (v) 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
 - (vi) any change in the conditions of local, national or international securities markets occurs which in the sole and absolute opinion of the Lead Underwriter is likely to materially and adversely affect the success of, or makes it inexpedient or inadvisable to proceed with, the Share Offer.

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- (b) there comes to the notice of any of the Underwriters any event, series of events, matters or circumstances occurring or arising on or after the date of the Underwriting Agreement which, if it had occurred on or before the date of the Underwriting Agreement would have rendered any of the representations and warranties contained in the Underwriting Agreement given by the warrantors named therein to be untrue or incorrect in any material respect; or
- (c) 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 be assumed by them under the Underwriting Agreement; or
- (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, render any matter untrue, incorrect or misleading or constitute an omission in any respect reasonably considered by the Lead Underwriter to be material; or
- (e) any event, act or omission which gives or is likely to give rise to any liability of the Company, the Sponsor or Underwriters pursuant to the indemnities contained in the Underwriting Agreement; or
- (f) there comes to the knowledge of any of the Underwriters that any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any respect reasonably considered by the Lead Underwriter to be material; or
- (g) there comes to the notice of any of the Underwriters any information, matter or event which in the sole and absolute opinion of the Lead Underwriter:
 - (i) is inconsistent in any material respect with any information contained in any 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; or
 - (iii) may lead to a material and adverse change in the business or in the financial or trading position of the Group taken as a whole; or
- (h) there is in the sole and absolute opinion of the Lead Underwriter any material and adverse change in the general affairs, the business, the financial, trading position or, the management or the shareholder's equity of any member of the Group.

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Undertakings

Each of New Green Group Limited, Trade Partner Investments Limited, Wisdom Grace Investments Limited, Hong Kong Tin Hong, Mr. Hong, and Mr. Zhu Yongxiang (the “Covenantors”) has severally undertaken to and covenanted with the Company, the Sponsor and the Underwriters that:

- (a) save as pursuant to the Stock Borrowing Agreement, it will comply in full and shall procure that any company directly or indirectly controlled by it complies in full with the Listing Rules relating to disposal of securities and in particular, Rule 10.07 thereof;
- (b) save with the prior written consent of the Sponsor, which it may withhold in its sole discretion regardless of whether or not the Stock Exchange shall have consented thereto, it will not, and will procure that none of its associates or the companies controlled by it or nominees or trustees holding in trust for it will, within the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) or pursuant to the Stock Borrowing Agreement), nor enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) or pursuant to the Stock Borrowing Agreement) to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares directly or indirectly owned by it or in which it is, directly or indirectly, interested or dispose of any interest in any shares in any company controlled by it which is the beneficial owner of any of the Shares;
- (c) save with the prior written consent of the Sponsor, it will not, and will procure that none of its associates or the companies controlled by it or nominees or trustees holding in trust for it will sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong)), nor enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong)) to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares, directly or indirectly owned by it or in which it is, directly or indirectly, interested or dispose of any interest in any shares in any company controlled by it which is the beneficial owner of any of the Shares during the period of six months immediately after the expiry of the six month period referred to in (b) above if, immediately following such transfer or disposal, it would cease to be a controlling shareholder (within the meaning ascribed to it in the Listing Rules) of the Company;

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- (d) in the event of a permitted disposal of any of the Shares at any time before or after the expiry of such six month period referred to in (b) above, subject to the provisions of the Listing Rules referred to in (c) above, it will take all reasonable steps to ensure that any such disposal will not create a disorderly or false market in the Shares.

Each of Flourish City Investments Limited, Hong Xinbei and Hong Zhiliang has undertaken to and covenanted with the Company and the Sponsor that:

- (a) it will not, and will procure that none of its associates, companies controlled by it or nominees or trustees holding in trust for it will, without the prior written consent of the Sponsor, within the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong)), nor enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong)) to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares directly or indirectly owned by it or in which it is, directly or indirectly, interested or dispose of any interest in any shares in any company controlled by it which is the beneficial owner of any of the Shares; and
- (b) in the event of a permitted disposal of any of the Shares at any time before or after the expiry of such six month period referred to in (a) above, it will take all reasonable steps to ensure that any such disposal will not create a disorderly or false market in the Shares.

Each of the Covenantors has undertaken to the Company, the Sponsor and the Underwriters that, within the period commencing from the date of this prospectus and ending on the date which is twelve months from the Listing Date, it will:

- (a) when it pledges/charges any Shares beneficially owned by it, in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, whether directly or indirectly, immediately inform the Company of such pledge/charge together with the number of Shares so pledged/charged; and
- (b) when it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform the Company of such indications.

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Each of New Green Group Limited, Hong Kong Tin Hong and Mr. Hong has provided similar undertakings to the Stock Exchange as set out in paragraph (a) and (b) above, save that the moratorium period commences from the Latest Practicable Date.

The Company has undertaken to and covenanted with the Sponsor and the Underwriters that, and each of the Covenantors and the executive Directors has undertaken to and covenanted with the Sponsor and the Underwriters to procure (so far as he or it is able) that, without the prior written consent of the Lead Underwriter (on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued pursuant to the Capitalisation Issue, the grant of the Over-allotment Option, the grant of any options under the Pre-IPO Share Option Scheme and the Share Option Scheme and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the articles of associations of the Company or any consolidation, sub-division or capital reduction of Shares, neither the Company nor any of its subsidiaries shall (i) issue or agree to issue any shares in the Company or any subsidiary of the Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of the Company or any subsidiary of the Company during the period of six months from the Listing Date ("First Six-Month Period"); (ii) issue or agree to issue any Shares or other interests referred to in (i) above during the six-month period immediately after the expiry of the First Six-Month Period if, immediately following such issue, any of New Green Group Limited, Hong Kong Tin Hong, Trade Partner Investments Limited and Mr. Hong either individually or taken together with the others would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and (iii) subject to the Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases during the First Six-Month Period, purchase any securities of the Company.

Each of the executive Directors and the Covenantors has undertaken to each of the Underwriters and the Company that it and its associates will not, and the Company agrees to procure that none of the Directors nor their respective associates nor any of the Covenantors will apply for any of the Offer Shares pursuant to the Share Offer, either directly or indirectly, whether in their own names or through nominees.

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Each of the Company and the Vendors has undertaken to the Sponsor, the Lead Underwriter and the Underwriters that it shall comply in all respects with the terms and conditions of the Share Offer (including, without limitation, implementing the timetable set out in the section headed “Expected timetable” in this prospectus) and, in particular, that the Company shall duly:

- (a) allot and issue, fully paid-up, the Public Offer Shares to successful applicants under the Public Offer in accordance with this prospectus and the Application Forms and in accordance with the provisions of the Underwriting Agreement and the terms and conditions of the Public Offer;
- (b) allot and issue, fully paid-up, the New Shares contained in the Placing Shares to the placees under the Placing in accordance with the provisions of the Underwriting Agreement and the terms and conditions of the Placing; and
- (c) allot and issue, fully paid-up, the Over-allotment Shares to the placees and successful applicants and the Over-allotment Option in accordance with the provisions of the Underwriting Agreement and the terms and conditions of the Share Offer.

Commission, fee and expenses

The Underwriters will receive an underwriting commission of 2.5% on the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. The Sponsor will receive a financial advisory (sponsorship) and documentation fee. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, the investor compensation levy, legal and professional fees together with printing and advertising costs, and other expenses relating to the Share Offer are estimated to amount to approximately HK\$21.6 million in total of which 80% or approximately HK\$17.3 million is payable by the Company and 20% or approximately HK\$4.3 million is payable by the Vendors.

Underwriters' and Sponsor's interest in the Company

Save (i) as disclosed in this prospectus, (ii) for their interests and obligations under the Underwriting Agreement, and (iii) for the Lead Underwriter's rights, interests and obligations under the Stock Borrowing Agreement, none of the Sponsor, the Lead Underwriter or all other Underwriters is interested beneficially or non-beneficially in any shares in any of the Company and its subsidiaries or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any Shares or shares in the Company's subsidiaries.