
UNDERWRITING ARRANGEMENTS UNDER THE SHARE OFFER

UNDERWRITERS

Public Offer Underwriters

Kingsway SW Securities Limited
JS Cresvale Securities International Limited
Core Pacific-Yamaichi Securities (H.K.) Limited
Crosby Limited
CSC Securities (HK) Limited
FB Gemini Securities Limited
First Shanghai Securities Limited
Guotai Junan Securities (Hong Kong) Limited
KCG Securities Asia Limited
SBI E2-Capital Securities Limited
Tanrich Securities Company Limited
Tung Tai Securities Co. Ltd.

Placing Underwriters

Kingsway SW Securities Limited
JS Cresvale Securities International Limited
Core Pacific-Yamaichi Securities (H.K.) Limited
Crosby Limited
CSC Securities (HK) Limited
FB Gemini Securities Limited
First Shanghai Securities Limited
Guotai Junan Securities (Hong Kong) Limited
KCG Securities Asia Limited
SBI E2-Capital Securities Limited
Tanrich Securities Company Limited
Tung Tai Securities Co. Ltd.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreements

Pursuant to the Public Offer Underwriting Agreement, the Company is offering at the Offer Price 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. Subject, inter alia, to listing of and permission to deal in the Shares in issue and to be issued as mentioned herein being granted by the Listing Committee of the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer

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Underwriters have severally agreed to subscribe or procure subscribers, on the terms and conditions of this prospectus and the application forms relating thereto, for the Public Offer Shares now being offered for subscription and which are not taken up under the Public Offer.

Pursuant to the Placing Underwriting Agreement, the Placing Underwriters have agreed to procure placees for the Placing Shares and have agreed to subscribe or purchase, or procure subscribers or purchasers, for any Placing Shares not taken up by placees under the Placing.

Grounds for termination

The respective obligations of the Underwriters to subscribe or purchase or procure subscribers or purchasers to subscribe or purchase for the Offer Shares are subject to termination and each of the Sponsors and Kingsway SW Securities (on behalf of the Underwriters) has the absolute right upon giving a notice in writing to the Company to terminate the Underwriting Agreements if any of the following events shall occur at any time prior to 9:00 a.m. (Hong Kong time) on 26 June 2003 (or such other date as Kingsway SW Securities may agree in writing with the Company). The grounds for termination include, amongst other things, circumstances where:

- A. (i) in the reasonable opinion of Kingsway SW Securities (for itself and on behalf of the Underwriters), the success of the Share Offer would or might be materially and adversely affected by:
 - (a) 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 which may, in the reasonable opinion of Kingsway SW Securities (for itself and the Underwriters), materially adversely affect the business or financial prospects of the Company or any member of the Group; or
 - (b) the occurrence of any events, situations and/or the arising of any circumstances (and/or any worsening thereof), including but not limited to, act of government, strikes, lock-out, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, economic sanctions, public disorder, riot and epidemic affecting humans (including but not limited to severe acute respiratory syndrome), or developments or material changes or the worsening thereof (whether or not local, national or international or forming part of a series of events or material changes occurring or continuing before, on and/or after the date of the Underwriting Agreements and including an event or material change in relation to or a development of an existing state of affairs) of a political, terrorist, military, industrial, financial, economic, public health-related or other nature, whether or not sui generis with any of the foregoing, resulting in an adverse material change in, or which might be expected to result in an adverse material change in political, economic or stock market conditions; or

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- (c) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (d) change or development involving a prospective change in taxation in Hong Kong, the PRC, British Virgin Islands, Bermuda or the implementation of exchange controls which shall or might adversely affect the Company or its present or prospective shareholders in their capacity as such; or
 - (ii) there is any change in the conditions of local, national or international securities markets which, in the reasonable opinion of Kingsway SW Securities (for itself and on behalf of the Underwriters), is likely to materially and adversely affect the number of Shares in respect of which valid applications are received and/or the number of Offer Shares applied, or the success of the Share Offer or makes it inexpedient or inadvisable to proceed with the Share Offer.
- B.
 - (i) there comes to the notice of any of JS Cresvale, Kingsway Capital and the Underwriters any matter or event showing any of the warranties, representations and undertakings given by the Warrantors under the Underwriting Agreements to be untrue or inaccurate in any material respect reasonably considered by Kingsway SW Securities (for itself and on behalf of the Underwriters), in its reasonable opinion, to be material in the context of the Share Offer; or
 - (ii) any of OGHL, the executive Directors, the Company and/or the Vendors commits any material breach of, or omits to observe in any material respect, any of the obligations or undertakings expressed to be assumed by them or it under the Underwriting Agreements which is considered by Kingsway SW Securities in its reasonable opinion to be material in the context of the Share Offer, or any of the warranties or of any other provisions of the Underwriting Agreements; or
 - (iii) there comes to the notice of any of JS Cresvale, Kingsway Capital and the Underwriters any information, matter or event which, in the reasonable opinion of Kingsway SW Securities (for itself and on behalf of the Underwriters):
 - (a) is inconsistent with any information contained in any Form B (namely, the declaration and undertaking with regard to Directors) given by any Director pursuant to the Share Offer, which it considers in its reasonable opinion, to be material in the context of the Share Offer; or
 - (b) may cast any doubt on the integrity or reputation of any Director or the reputation of the Group, which it considers in its reasonable opinion, to be material in the context of the Share Offer; or

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- (c) may lead to any material adverse change in the business or in the financial or trading position of any member of the Group; or
- (iv) there is, in the reasonable opinion of Kingsway SW Securities (for itself and on behalf of the Underwriters), any material adverse change in the business or in the financial or trading position of any member of the Group;

then each of the Sponsors and Kingsway SW Securities (for itself and on behalf of the Underwriters) shall be entitled (but not bound) by notice in writing to the Company (for itself and on behalf of the other parties to the Underwriting Agreements (other than the Underwriters)) to terminate the Underwriting Agreements.

Undertakings

Pursuant to the Underwriting Agreements, OGHL undertakes to the Company and the Sponsors and the Underwriters that neither itself nor any of its associates, nor any company controlled by it nor any nominee or trustee holding in trust for it will sell, transfer or otherwise dispose of or create any rights in respect of any of the Shares owned or held by it or the 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) any interest in any shares in any company controlled by it which is directly, or through another company indirectly, the beneficial owner of any of the Shares for a period of 6 months from the Listing Date. In addition, OGHL undertakes to the Company and the Sponsors and the Underwriters that neither itself nor any of their associates, nor any company controlled by it nor any nominee or trustee holding in trust for it will, within the 6 month period commencing on the date immediately following the date falling 6 months after the Listing Date, sell, transfer or otherwise dispose of any of the Shares owned or held by it or the relevant company, nominee or trustee immediately after completion of the Share Offer or dispose of any interest in any shares in any company controlled by it which is directly, or through another company indirectly, the beneficial owner of any of the Shares, if, immediately following such disposal, OGHL ceases 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 in the Shares.

Each of the Company and the executive Directors undertakes to and covenants with the Sponsors and the Underwriters to procure that the Company and its subsidiaries shall not (i) within the period of 6 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 of its subsidiaries other than the Offer Shares and (ii) within the period commencing on the date immediately following 6 months from the Listing Date and ending on the date falling 6

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months thereafter, shall not issue any shares in the Company or any of its subsidiaries 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, completion of which shall result in OGHL ceasing to be a controlling shareholder (as defined in the Listing Rules) of the Company.

The Company and each of the executive Directors undertakes with JS Cresvale, Kingsway Capital and the Underwriters, that save with the prior written consent of Kingsway SW Securities (on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), no member of the Group shall within the period of 6 months from the Listing Date purchase any securities of the Company.

OGHL undertakes to and covenants with the Company, JS Cresvale, Kingsway Capital and the Underwriters that within 6 months from the Listing Date:

- (i) when it pledges or charges any securities or interest in the securities of the Company beneficially owned by it, whether directly or indirectly, it shall immediately inform the Company and Kingsway SW Securities (on behalf of the Underwriters) details of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) immediately inform the Company and Kingsway SW Securities (on behalf of the Underwriters) when it receives indications, either verbal or written, from the relevant pledgee or chargee that it shall enforce its security right in respect of any of the pledged or charged Shares.

The Company undertakes to and covenants with JS Cresvale, Kingsway Capital and the Underwriters that the Company shall forthwith inform JS Cresvale, Kingsway Capital and Kingsway SW Securities (on behalf of the Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in the preceding paragraph and the Company shall disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

Commission

The Public Offer Underwriters will receive an underwriting commission of 2.5% on the aggregate Offer Price of the Public Offer Shares while the Placing Underwriters will receive a combined underwriting commission at a rate of 2.5% on the aggregate of the Offer Price of the Placing Shares, out of which they will pay any sub-underwriting commissions and selling concession. The Sponsors will in addition receive documentation and sponsor fees for providing documentation services and for acting as the Sponsors to the Share Offer.

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The underwriting commissions, selling concession, documentation fee, the Stock Exchange trading fee, the SFC transaction levy, brokerage, capital duty, legal and other professional fees and other expenses relating to the Share Offer are estimated to amount at approximately HK\$14 million in aggregate, which will be payable by the Company.

Underwriters' interests in the Company

Sino First Profits Limited, one of the Vendors, is a wholly-owned subsidiary of Sinochem Kingsway Capital Inc.. SW Kingsway Capital Group Limited, a fellow subsidiary of Kingsway SW Securities, is a shareholder of Sinochem Kingsway Capital Inc., holding in aggregate a 30% interest in Sinochem Kingsway Capital Inc.. Save as disclosed herein and its obligations under the Underwriting Agreements, none of the Underwriters had any shareholding interests in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date.