
UNDERWRITING

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CNI Securities Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting agreement

Pursuant to the Underwriting Agreement, our Company is offering the New Shares for the subscription and the Vendors are offering the Sale Shares for sale at the Placing Price for placing and sale to professional, institutional or private investors. Subject to, among other matters, the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the Shares to be allotted and issued under the Capitalisation Issue, and to the satisfaction of certain other conditions set out in the Underwriting Agreement, the Underwriter has agreed to subscribe and/or purchase and/or procure subscribers and/or purchasers for the Placing Shares, subject to the terms and conditions of the Underwriting Agreement.

Grounds for termination

The obligations of the Underwriter under the Underwriting Agreement to subscribe and/or procure subscribers for the subscription, the Placing Shares, are subject to termination by the Underwriter if any of the following events occur at any case prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (A) if it has come to the notice of the Underwriter:
 - (i) any matter or event showing any of the representations, warranties and undertakings contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of such representations, warranties and undertakings or any other provision of the Underwriting Agreement by any party to the Underwriting Agreement (other than the Underwriter) which, in any such cases, is material in the context of the Placing; or
 - (ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the context of the Placing; or
 - (iii) any statement contained in this prospectus considered to be material by the Underwriter in its absolute opinion which is discovered to be or becomes untrue, incorrect or misleading in any material respect; or

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- (iv) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, the Vendors, our executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement; or
 - (v) any breach by any party to the Underwriting Agreement other than the Underwriter of any provision of the Underwriting Agreement which is material; or
 - (vi) any adverse change or a prospective adverse change in the business, results of operation, financial or trading position, or prospects of our Group as a whole the effect of which is so material and adverse as to make it impracticable or inadvisable to proceed with the Placing; or
 - (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
 - (viii) any person (other than the Underwriter) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or
- (B) if there develops, occurs, exists or comes into effect any event or series of events, matters or circumstances whether 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 concerning or relating to any of the following:
- (i) any new law or regulation or any material 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, the Cayman Islands, the BVI or any relevant jurisdiction; or
 - (ii) any change (whether or not permanent) in local, national or international stock market conditions; or
 - (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or other major stock exchanges in the United States, the United Kingdom or the PRC due to exceptional financial circumstances or otherwise; or
 - (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI or elsewhere; or
 - (v) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

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- (vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting Hong Kong, the Cayman Islands, the BVI or elsewhere; or
- (vii) a general moratorium on commercial banking business activities in Hong Kong, the PRC, the Cayman Islands or elsewhere declared by the relevant authorities; or
- (viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out; or
- (ix) any litigation or claim of any third party being threatened or instigated against any member of our Group, the Vendors, our executive Directors and/or our Controlling Shareholders; or
- (x) any change or development involving a prospective change, or materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xi) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, the Cayman Islands, the BVI or the PRC; or
- (xii) any imposition of economic or other sanctions, in whatever form, directly or indirectly, by or to Hong Kong or the PRC; or
- (xiii) a petition is presented for the winding up or liquidation of any member of our Group, or any member of our Group making any compromise or arrangement with our Company’s or such members’ creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

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- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which such member of our Group is liable prior to its stated maturity, or any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xv) a breach of any of the representations, warranties and undertakings contained in the Underwriting Agreement or of any of the other obligations imposed upon or undertakings given by our Company under the Underwriting Agreement;

which, individually or in the aggregate, in the reasonable opinion of the Underwriter:

- (a) is or will or is likely to be materially adverse to the business, financial condition or prospects of our Company and/or our Group taken as a whole; or
- (b) has or will have or is likely to have a material adverse effect on the success of the Placing; or
- (c) makes or will make or is likely to make it inappropriate, inadvisable or inexpedient to proceed with the Placing.

Non-disposal undertakings

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to our Company, the Underwriter, the Sponsor and the Stock Exchange that save as provided in Rule 13.18 of the GEM Listing Rules, he/she/it shall not and shall procure that the relevant registered holder(s) of Shares shall not:

- (a) 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**”) dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (the “**Relevant Securities**”); or
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would, either individually or taken together with the others of them, cease to be a Controlling Shareholder.

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The restrictions in (a) shall not apply to any Shares which our Controlling Shareholders or any of his/her/its close associates may acquire or become interested in following the Listing Date.

Notwithstanding the above, nothing shall prevent the disposal of any interest of our Controlling Shareholders in the Relevant Securities (i) pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan, (ii) pursuant to a power of sale under the pledge or charge (granted pursuant to sub-paragraph (i)), (iii) on the death of our Controlling Shareholder or (iv) in any other exceptional circumstances to which the Stock Exchange has given its prior approval.

Each of our Controlling Shareholders has also undertaken to our Company, the Underwriter, the Sponsor and the Stock Exchange to comply with the following requirements:

- (i) in the event of any such sale, transfer or disposal of the Relevant Securities or any such interest referred to above, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares;
- (ii) in the event that our Controlling Shareholders pledges or charges any direct or indirect interest in the Relevant Securities in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the expiry of the Second Six-Month Period, he/she/it must immediately inform our Company, the Sponsor and the Underwriter in writing of such pledge or charge, the number of the Relevant Securities so being pledged or charged and other details as required under Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (iii) having pledged or charged any interest in the Relevant Securities, if and when he/she/it becomes aware that any pledgee or chargee thereof has disposed of or intends to dispose of such interest in the Relevant Securities, he/she/it must immediately inform our Company, the Sponsor and the Underwriter in writing of such disposal or such intention of disposal and of the number of the Relevant Securities affected.

Our Company will inform the Stock Exchange as soon as it has been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Our Company has irrevocably and unconditionally undertaken to and covenanted with the Sponsor and the Underwriter, and our executive Directors have irrevocably and unconditionally and jointly and severally undertaken to and covenanted with the Sponsor and the Underwriter to procure that, save with the prior written consent of the Sponsor and the Underwriter, (such consent not to be unreasonably withheld or delayed) or save for Shares

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issued pursuant to the Placing and the Capitalisation Issue and the exercise of any options that may be granted under the Share Option Scheme, and in compliance with the GEM Listing Rules and the applicable laws, neither our Company nor any of our subsidiaries from time to time shall (a) allot or issue or agree to allot or issue any shares or any other securities in our Company or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise acquire, any shares or securities of our Company or any of our subsidiaries from time to time during the First Six-Month Period; or (b) issue any share or securities in our Company or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such shares or securities during the Second Six-Month Period so as to result in any of our Controlling Shareholders ceasing to be a controlling shareholder (which has the meaning ascribed to it under the GEM Listing Rules) of our Company or our Company ceasing to hold a controlling interest of 30% or more in any major subsidiary (which shall have the same meaning as in Rule 17.27(2) of the GEM Listing Rules) of our Group; or (c) during the First Six-Month Period purchase any Shares or any other securities of our Company; or (d) offer to or agree to do any of the foregoing or announce any intention to do so.

Commission and expenses

The Underwriter will receive a commission of 2.5% on the aggregate Placing Price of all the Placing Shares now being offered, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. The Sponsor will, in addition, receive a documentation fee. The underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Placing are estimated to approximately HK\$18.6 million, which will be borne by our Company and the Vendors in the proportion of 50% and 50% respectively. The Vendors shall be solely responsible for their proportion of any fixed transfer duty, seller's ad valorem stamp duty (if any) in respect of the sale and transfer of the Sale Shares, the Stock Exchange trading fee and SFC transaction levy in respect of the Sale Shares, where applicable.

Underwriter's interests in our Company

Save for its interests and obligation under the Underwriting Agreement and save as disclosed in this prospectus, none of the Underwriter or any of its close associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

Compliance Adviser's agreement

Under a compliance adviser's agreement dated 31 July 2014 and made between Messis Capital and our Company (the "**Compliance Adviser's Agreement**"), our Company appoints Messis Capital and Messis Capital agrees to act as the compliance adviser to our Company

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for the purpose of the GEM Listing Rules for a fee from the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

Sponsor's interest in our Company

Save for the advisory and documentation fees to be paid to Messis Capital as the Sponsor to the Placing, its obligations under the Underwriting Agreement and the Compliance Adviser's Agreement, its acting as compliance adviser and interests in securities that may be subscribed for pursuant to the Placing, neither Messis Capital nor any of its close associates has or may, as a result of the Placing, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of Messis Capital who is involved in providing advice to our Company has or may, as a result of the Placing, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of Messis Capital has a directorship in our Company or any other company in our Group.

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.