
UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Bookrunners, Joint Lead Managers and Public Offer Underwriters

Kingsway Financial Services Group Limited

Ping An Securities Limited

Gransing Securities Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of the 40,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any event, or series of events, beyond the reasonable control of the Placing Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the Cayman Islands or any other jurisdiction relevant to any member of our Group (the “**Group Company**”) or the Share Offer (collectively, the “**Relevant Jurisdictions**”) which in the reasonable opinion of the Joint Lead Managers has or would have the effect of making any part of this Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock, credit and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting the Relevant Jurisdictions; or
 - (iii) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of the Relevant Jurisdictions; or

UNDERWRITING

- (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (v) a change or development occurs involving a prospective change in taxation, exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or
- (vi) any material change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any Group Company (other than those fully covered by an insurance policy of our Group Company), the Executive Directors and/or the Controlling Shareholders; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or
- (ix) any loss or damage sustained by any Group Company (howsoever caused but excluding such loss or damage which are subject of and fully covered by any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

UNDERWRITING

- (xii) any adverse change or development involving a prospective change in the condition (financial or otherwise) or in the earnings, business affairs, business prospects or trading position of any Group Company, or customer confidence, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any Group Company, or any investigation of any Group Company or an order for suspension of business by any governmental authority; or
- (xiii) an Executive Director being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship, or the commencement by any governmental authority of any investigation or other action against any Director in his/her capacity as such or an announcement by any governmental authority that it intends to investigate or take any such actions; or
- (xiv) the chairman or chief executive officer of our Company vacating his/her office; or
- (xv) non-compliance of this prospectus (or any other documents used in connection with the Share Offer) or any aspect of the Share Offer with the GEM Listing Rules, the Articles of Association, the Companies Ordinance, the Companies Winding Up and (Miscellaneous Provisions) Ordinance, the SFO or any other applicable Laws by any of our Company, the Controlling Shareholders, or the Directors,

which, individually or in aggregate, in the absolute opinion of the Joint Lead Managers:

- (1) is/are or shall have or could be expected to have a material adverse effect on the assets, liabilities, general affairs, management, shareholders' equity, profits, losses, results of operations, business, financial or other condition or prospects of our Group as a whole or in the case of sub-paragraph (b)(v) below, to any present or prospective shareholder of our Company in his, her or its capacity as such; or
- (2) has/have or shall have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (3) make(s) it inadvisable, inexpedient or impracticable for the Share Offer to proceed; or

UNDERWRITING

- (4) has or will or may be expected to have the effect of making any part of this Agreement or the Share Offer incapable of implementation or performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof;

- (b) there has come to the notice of the Joint Lead Managers:
 - (i) that any statement, considered by the Joint Lead Managers to be material in their absolute discretion, contained in any of this prospectus, Application Forms and any document in connection of the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation contained in any of such document is not true and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Joint Lead Managers to be material to the Share Offer; or
 - (iii) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement (other than on the Placing Underwriters) which the Joint Lead Managers consider to be material; or
 - (iv) any change or development reasonably considered by the Joint Lead Managers to have or could be expected to have a material adverse effect on business affairs, prospects, assets, liabilities, general affairs, management, shareholders' equity profits, losses, results of operations, or the financial or trading position or otherwise, or performance of any Group Company; or
 - (v) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties contained in the Public Offer Underwriting Agreement, which the Joint Lead Managers consider to be material; or
 - (vi) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnified parties under the Public Offer Underwriting Agreement; or
 - (vii) approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue and to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

UNDERWRITING

- (viii) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the documents issued in connection with the Public Offer or the Placing (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or to the issue of any of such documents; or
 - (ix) our Company withdraws any of the documents issued in connection with the Public Offer or the Placing and/or any other documents used in connection with the contemplated subscription of the Offer Shares; or
 - (x) any prohibition on our Company by any governmental authority for whatever reasons from offering, allotting or issuing the Shares pursuant to the terms of the Share Offer; or
- (c) the Public Offer does not proceed on or before the Listing Date or the Public Offer Underwriting Agreement is terminated due to any reason whatsoever.

Undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, and each of our Controlling Shareholders and Executive Directors has undertaken to and covenants with the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that he/it will procure our Company that it shall:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29(1) to 17.29(4) of the GEM Listing Rules, not without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the GEM Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);

UNDERWRITING

- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29(1) to 17.29(4) of the GEM Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules); and

provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Under Rule 17.29 of the GEM Listing Rules, we have also undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalisation Issue and the Share Offer (including the exercise of any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 17.29 of the GEM Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

- (a) Pursuant to Rule 13.16A of the GEM Listing Rules, each of our Controlling Shareholders jointly and severally agrees and undertakes to our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Stock Exchange that, none of the Controlling Shareholders will, and they will procure the relevant registered holder(s) and their respective associates and companies controlled by them and any nominee or trustee holding in trust for them shall not:
- (i) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders are made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), among others, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances (as defined below) in respect of, any of the Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s);
 - (ii) in the period of six months commencing on the date immediately following the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“**Encumbrances**”) in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder; and
 - (iii) in addition to the undertakings pursuant to Rule 13.16A of the GEM Listing Rules, each of our Controlling Shareholders has further voluntarily undertaken to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that for a further 12 months commencing on the date on which the period referred to in (ii) above expires, he/it shall not, and he/it shall procure the relevant registered holder(s) and his/its respective associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of, any of the Shares above if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder; and for avoidance of doubt, the non-disposal undertaking pursuant to this sub-paragraph shall not be waived or amended unless with the prior approval of independent Shareholders obtained in a general meeting of the Company.

UNDERWRITING

- (b) Each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sponsor, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Stock Exchange that during the 24 months period from the Listing Date:
- (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/it must immediately inform our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in writing of such pledges or charges immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
 - (ii) having pledged or charged any of his/its interests in the Shares under paragraph (i) above, when our Controlling Shareholders receive indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or, interests in the securities of our Company will be sold, transferred or disposed of, he/it must immediately inform our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in writing of such indications.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our Controlling Shareholders, the Selling Shareholder, and our Executive Directors will enter into the Placing Underwriting Agreement with the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

UNDERWRITING

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” above in this section.

Commission, fees and expenses

The Public Offer Underwriters will receive a gross underwriting commission of 3.5 % of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters. In addition, Kingsway Financial Services Group Limited, as one of Joint Bookrunners and Joint Lead Managers, will receive a fixed management fee of HK\$1,000,000 according to the Placing Underwriting Agreement.

Based on the Offer Price of HK\$0.15 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$18 million in total, and of which approximately HK\$13.5 million shall be borne by our Company and approximately HK\$4.5 million shall be borne by the Selling Shareholder.

UNDERWRITING

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a sponsorship fee to the Share Offer. The Joint Bookrunners and Joint Lead Managers and the Underwriters will receive an underwriting commission and/or praecipium and/or management fee. Particulars of these underwriting commission, fees and expenses are set forth under the paragraph headed "Commission, fees and expenses" above.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors, the Joint Bookrunners and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23(7) of the GEM Listing Rules after completion of the Share Offer.