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## UNDERWRITING

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### UNDERWRITER

Sun Hung Kai Investment Services Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Offer Shares (including the Reserved Shares) for subscription on and subject to the terms and conditions of this prospectus and the Application Forms relating thereto at the Offer Price.

Subject to, among other things, the approval of the listing of and permission to deal in the New Shares in issue and to be issued as mentioned herein (and such listing and permission not subsequently being revoked prior to the date on which dealings in the New Shares commence on the Stock Exchange) being granted by the Listing Division on or before 25 July 2019 or such later date as the Company and the Underwriter may agree in writing, the Underwriter has agreed to procure subscribers, on the terms and conditions of this prospectus and the Application Forms relating hereto, for the Offer Shares now being offered for subscription but not taken up under the Public Offer (including the Preferential Offering).

#### *Termination of the Underwriting Agreement*

The Underwriter shall be entitled in its absolute discretion, by notice in writing to the Company to terminate the Underwriting Agreement with immediate effect if, at any time on or before 4:00 p.m. (Hong Kong time) on the date of announcement of the results of the Public Offer and the Preferential Offering:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any event, or series of events, beyond the reasonable control of the Underwriter (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 Enlarged Group company or the Public Offer (collectively, the “**Relevant Jurisdictions**”) which in the reasonable opinion of the Underwriter has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public 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,

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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
- (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (v) 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 Enlarged Group company (other than those fully covered by an insurance policy of the Enlarged Group company) and/or the Proposed Directors; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any Enlarged Group company or in respect of which any Enlarged Group company is liable prior to its stated maturity; or
- (ix) any material loss or damage sustained by any Enlarged 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 Yu Ming or Yu Ming 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 Yu Ming or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of Yu Ming or anything analogous thereto occurs in respect of Yu Ming;

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- (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;
- (xii) Mr. Warren Lee 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 him as such or an announcement by any Governmental Authority that it intends to investigate or take any such actions; or
- (xiii) any material adverse change in the relations of Yu Ming business (as described in this prospectus) with its customers, suppliers or lenders or the financial condition or the position, results of operations, prospects, assets or liabilities of the said business as compared with the position, disclosed by the last audited accounts, and any material damage, destruction or loss (whether or not covered by insurance) affecting the said business or its assets or properties; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the Public Offer) or any aspect of the Public Offer with the 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 the Company or Mr. Warren Lee,

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

- (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 the Enlarged Group as a whole; 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 Public Offer or the level of applications under the Public Offer; or
- (3) make(s) it inadvisable, inexpedient or impracticable for the Public Offer to proceed; or
- (4) has or will or may be expected to have the effect of making any part of the Underwriting Agreement or the Public Offer incapable of implementation or performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof;

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- (b) there has come to the notice of the Underwriter:
- (i) that any statement, considered by the Underwriter to be material in its absolute discretion, contained in any of this prospectus, the Application Forms and any document in connection of the Public 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 Underwriter to be material to the Public Offer; or
  - (iii) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on the Underwriter) which the Underwriter considers to be material; or
  - (iv) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties of the Company under the Underwriting Agreement, which the Underwriter considers to be material; or
  - (v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnified parties under the Underwriting Agreement; or
  - (vi) approval by the Listing Committee and/or the Listing Division of the listing of, and permission to deal in, the New Shares in issue and to be issued or sold under the Public Offer is refused or not granted, other than subject to customary conditions, on or before the Resumption Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (vii) any person (other than the Underwriter) has withdrawn or sought to withdraw its consent to being named in any of the Public Offer Prospectus Documents (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
  - (viii) the Company withdraws any of Public Offer Prospectus Documents and/or any other documents used in connection with the contemplated subscription of the Offer Shares; or
  - (ix) any prohibition on the Company by any Governmental Authority for whatever reasons from offering, allotting or issuing the New Shares pursuant to the terms of the Public Offer; and

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- (c) in the opinion of the SFC that there is significant undersubscription in the Public Offer, excluding the Preferential Offering, and therefore demonstrating lack of sufficient public interest in the Public Offer.

In the event that the Underwriter terminates the Underwriting Agreement by notice in writing given to the Company on or before 4:00 p.m. (Hong Kong time) on the date of announcement of the results of the Public Offer and the Preferential Offering, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save that the Company shall reimburse the Underwriter for the expenses reasonably incurred by the Underwriter in accordance with the terms of the Underwriting Agreement and for any antecedent breaches under the Underwriting Agreement.

### *Undertakings by the Underwriter*

Under the Underwriting Agreement, the Underwriter has undertaken in favour of the Company that in the event of the Underwriter being called upon to subscribe for or procure subscribers for the Underwritten Shares: (1) the Underwriter and its associates will not subscribe for the Underwritten Shares for their own accounts; (2) if the Underwriter sub-underwrites its underwriting obligations under the Underwriting Agreement to sub-underwriter(s), then each sub-underwriter will be a PO Independent Third Party and could take up the undersubscribed Underwritten Shares for their own accounts as long as they will not become Substantial Shareholders of the Company upon completion of the YM Subscription, the New Placing and the Public Offer; (3) the Underwriter shall on its own and procure its sub-underwriters to procure subscription by subscriber(s) who is/are a PO Independent Third Party(ies); and (4) the subscribers (together with any of their respective parties acting in concert or connected persons or associates) procured by it or the sub-underwriters will not be existing Shareholders and will not hold in aggregate 10% or more of the voting rights of the Company immediately upon completion of the YM Subscription, the New Placing and the Public Offer.

### *Undertakings given by the Company*

Under the Underwriting Agreement, the Company has undertaken to and covenanted with the Sponsor and the Underwriter that the Company shall not, unless in compliance with the requirements of the Listing Rules (including but not limited to Rule 10.08 of the Listing Rules) and as mentioned in this prospectus including any New Shares to be issued under the YM Subscription, the New Placing, the Public Offer, the grant of any option under the Share Option Scheme or the issue of New Shares upon exercise of any option granted under the Share Option Scheme, at any time during the First Six-Month Period:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any New Shares or other securities of the

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Company, or any interest in any of the foregoing (including, without limitation any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any New Shares), or deposit any New Shares or other securities of the Company, with a depository in connection with the issue of depository receipts;

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any New Shares or other securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any New Shares);
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of New Shares or such other securities of the Company or shares or other securities of such other member of the Enlarged Group, as applicable, or in cash or otherwise (whether or not the allotment or issue of New Shares or such other securities of the Company or shares or other securities of such other member of the Enlarged Group will be completed within the First Six-Month Period).

The Company has also undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within 6 months from the Resumption Date (whether or not such issue of shares or securities will be completed within 6 months from the Resumption Date), except for:

- (1) the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to a share option scheme under Chapter 17 of the Listing Rules;
- (2) any capital reduction or consolidation or sub-division of shares, being the Capital Reorganisation; and
- (3) the issue of shares or securities pursuant to an agreement entered into before the Resumption Date, the material terms of which have been disclosed in this prospectus.

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### *Indemnities*

The Company and Mr. Warren Lee (collectively, the “**Warrantors**”) have under the Underwriting Agreement undertaken to indemnify and keep each of the Sponsor, the Underwriter and each of their respective affiliates (the “**Indemnified Parties**”) at all times fully indemnified, against all actions, claims and proceedings from time to time against, and all losses, liabilities, damage, payments, costs (including, without limitation, legal costs) and expenses (including, without limitation, all payments, costs and expenses arising out of or in connection with the investigation, defence or settlement of any such actions, claims and proceedings or the enforcement of any such settlement or any judgment obtained in respect of any such actions, claims and proceedings) and taxation (collectively, “**Losses**” and individually a “**Loss**”) which any Indemnified Party may suffer or incur or which may be made or threatened against any Indemnified Party and which are, directly or indirectly, arising out of or in connection with:–

- (a) the performance by the Underwriter of its obligations under the Underwriting Agreement;
- (b) the issue, publication, distribution or making available of any of the Public Offer Prospectus Documents pursuant to the Underwriting Agreement and/or such documents (including any amendment thereof or supplement thereto) and all other public notices, announcements and advertisements in connection with the Public Offer;
- (c) the offer, allotment and issue of the Offer Shares;
- (d) any breach or alleged breach on the part of the Warrantors of any of the provisions of the Underwriting Agreement and the Memorandum and Articles of Association;
- (e) any of the warranties being untrue or misleading in any respect or having been breached in any respect or being alleged to be untrue or misleading in any respect or alleged to have been breached in any respect;
- (f) any breach or alleged breach by the Warrantors of the laws, rules or regulations of any country or territory resulting from the distribution of the Public Offer Prospectus Documents and/or any offer, sale or distribution of the Offer Shares;
- (g) any of the Public Offer Prospectus Documents containing any untrue or alleged untrue statement of a material fact, or omitting or alleged to omitting a fact necessary to make any statement therein, in the light of the circumstances under which it was made, not misleading;
- (h) any statement, estimate, forecast or expression of opinion, intention or expectation contained in the Public Offer Prospectus Documents or any amendment or supplement thereto being untrue, incomplete, inaccurate or misleading in any

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respect, or any omission to state therein a fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

- (i) any of the Public Offer Prospectus Documents failing or being alleged to fail to disclose sufficient information necessary to enable an informed assessment to be made of the assets and liabilities, financial position, profits and losses and prospects of the Group or of the rights attaching to the Offer Shares;
- (j) any settlement by any Enlarged Group company of any investigation or proceeding by any governmental or regulatory authority, commenced or threatened; and
- (k) the listing of the Offer Shares or the Public Offer failing or being alleged to fail to comply with the applicable requirements of the Listing Rules or any statute or statutory regulation at any applicable jurisdiction, or any condition or terms of any approvals in connection with the Public Offer.

PROVIDED THAT the indemnity provided for herein shall not apply in respect of an Indemnified Party to the extent, but only to the extent, that any such action, claim or proceeding made against, or any such loss, liabilities or damage suffered or any such payment, cost and expense made or incurred by, such Indemnified Party is finally judicially determined to have been caused solely by the gross negligence, wilful default or fraud on the part of such Indemnified Party. The non-application of the indemnity provided for herein in respect of any Indemnified Party shall not affect the application of such indemnity in respect of any other Indemnified Parties. Subject to the terms of the Underwriting Agreement, any settlement or compromise of any actions, claim or proceeding or loss, liabilities or damages by the Sponsor or any other Indemnified Party shall be made without prejudice to any claim, action or demand any other Indemnified Party may have or make against the Company hereunder or otherwise under the Underwriting Agreement.

### **Commission and expenses**

The Underwriter will receive an underwriting commission of an amount equal to 2.0% of the aggregate Offer Price payable for the Offer Shares, out of which they will, as the case may be, pay any sub-underwriting commissions and selling concession.

Based on the Offer Price of HK\$0.52 per Share, the underwriting commission in connection with the Public Offer is HK\$2.5 million in aggregate and will be payable by the Company. The aggregate fees, together with the Stock Exchange listing fee, the placing and underwriting commission in relation to the New Placing and the Public Offer, SFC transaction levy, legal and other professional fees, and printing and other expenses relating to the transactions under the Proposed Restructuring are estimated to be approximately HK\$52.3 million in aggregate and are payable by the Company.



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### **Underwriter's interest in the Company**

Save and except that the Underwriter and its ultimate beneficial owner(s) are the associates of Allied Group and save as securities trading and dealing business of the Underwriter, which may involve trading and dealing in the securities of the Company, and as contemplated pursuant to the Underwriting Agreement, the Underwriter is not interested in any shares in any member of the Enlarged Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group.

### **SPONSOR'S INDEPENDENCE**

The Sponsor is independent from the Company pursuant to Rule 3A.07 of the Listing Rules. Neither the Sponsor nor its close associates expect to have accrued any material benefit as a result of the successful listing of the Shares, other than the following: (i) the respective advisory and documentation fees to be paid to the Sponsor; and (ii) certain close associates of the Sponsor, whose ordinary business involve the trading and dealing in securities, may be involved in the trading and dealing in the securities of the Company.

Save for the interest of the Sponsor and its close associates in the Company set out above, the Sponsor has no shareholding in any member of the Enlarged Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

### **MINIMUM PUBLIC FLOAT**

The Company and the Proposed Directors will ensure that a minimum of 25% of the total issued Shares will be held by the public after the completion of the Public Offer.