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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

Joint Bookrunners and Joint Lead Managers:

Kingsway Financial

Bluemount Securities Limited

### **PLACING UNDERWRITERS**

Joint Bookrunners and Joint Lead Managers:

Kingsway Financial

Bluemount Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

#### ***Public Offer Underwriting Agreement***

Pursuant to the Public Offer Underwriting Agreement, our Company is offering 25,000,000 Public Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this Prospectus and the Application Forms.

Subject to:

- (a) the Listing Division granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this Prospectus on GEM and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Public Offer Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Bookrunners (for themselves and on behalf of the other Underwriters),

the Public Offer Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Public Offer Shares which are being offered but are not taken up under the Public Offer, on the terms and conditions set out in this Prospectus, the Application Forms and the Public Offer Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters), the Share Offer will not proceed and will lapse.

The Public Offer Underwriting Agreement is also conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

#### ***Grounds for termination***

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares will be subject to termination by notice in writing to our Company from the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners that:
  - (i) any statement contained in any of this Prospectus and the Application Forms and/or any notice, announcement or advertisement issued or used by or on behalf of our Company

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in connection with the Public Offer, was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect in relation to the Share Offer or that any estimates, forecasts, expressions of opinion, intention or expectation expressed in any of this Prospectus and the Application Forms and/or any notice, announcement or advertisement issued or used by or on behalf of our Company in connection with the Public Offer is not fair and honest and based on reasonable assumptions in any material respect in relation to the Share Offer, when taken as a whole; or

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the this Prospectus and the Application Forms, constitute a material omission therefrom to be material in the context of the Share Offer; or
- (iii) any breach of any of the obligations imposed or to be imposed upon the warrantors or any of them; or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of our Company and the Controlling Shareholders under the Public Offer Underwriting Agreement; or
- (v) any change or development involving a prospective change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group ("**Group Company**") which will have a material adverse effect; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by our Company in terms set out in the Public Offer Underwriting Agreement; or
- (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Offer Size Adjustment Option) to be issued under the Share Offer is refused or not granted, or is qualified (other than subject to customary conditions), or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of this Prospectus and the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Placing; or
- (ix) any person (other than the Sole Sponsor and the Underwriters) has withdrawn or sought to withdraw its consent to being named in this Prospectus or to the issue of any of this Prospectus and the Application Forms; or
- (x) any of the experts (other than the Sole Sponsor) in relation to the Share Offer as set out under the section headed "Statutory and General Information — E. Other Information — 6. Qualifications of experts" in Appendix IV to this Prospectus has withdrawn its respective consent to the issue of this Prospectus with the inclusion of its report, letter, and/or legal opinion (as the case maybe) and references to its name included in the form and context in which they respectively appear; or

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- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), swine influenza (H1N1) or such related/mutated forms) or severe and extended interruption or delay in transportation); 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, or representing national, regional, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, or a material fluctuation in the exchange rate of the Hong Kong dollar against any major foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions in which any Group Company conducts business (the “**Specific Jurisdictions**”); or
  - (iii) any new laws 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 the Specific Jurisdictions; or
  - (iv) any general moratorium on commercial banking activities in Hong Kong, New York, London or the PRC or any other Specific Jurisdictions imposed by any competent Government Authority or a disruption in commercial banking or securities settlement or clearance services in those places; or
  - (v) the imposition of any economic sanctions, in whatever form, directly or indirectly, by, or for, the Specific Jurisdictions; or
  - (vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Specific Jurisdictions affecting an investment in the Shares; or
  - (vii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this Prospectus; or
  - (viii) any litigation or claim of any third party being threatened or instigated against any Group company which is not disclosed in the Prospectus or not disclosed to the Sole Sponsor; or
  - (ix) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

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- (x) the chairman or chief executive officer of our Company vacating his office; or
- (xi) the commencement by any governmental, regulatory or political body or competent authorities of any action against a Director in his capacity as such or an announcement by any governmental, regulatory or political body or competent authorities that it intends to take any such action; or
- (xii) a contravention by any Group Company of the Companies Ordinance or any of the GEM Listing Rules or any other applicable laws which is not disclosed in the Prospectus or not disclosed to the Sole Sponsor; or
- (xiii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xiv) non-compliance of this Prospectus and the Application Forms (and/or any other documents used in connection with the offering of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other laws applicable to the Share Offer; or
- (xv) the issue or requirement to issue by our Company of a supplement or amendment to this Prospectus and/or any other offer documents pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules; or
- (xvi) 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
- (xvii) any loss or damage sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) a petition or an order for the winding-up or liquidation of any Group Company or any composition or arrangement made by any Group Company with its creditors or a scheme of arrangement entered into by any Group Company or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager to take over all the appointment of or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company,

and which, in any of the above cases and in the reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of the Company or the Group or any Group Company or on any present or prospective Shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of interest under the Share Offer; or
- (c) makes it or will or could be reasonably expected to make it inadvisable, inexpedient or impracticable for the Public Offer and/or the Share Offer to proceed or to market the Share Offer; or

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- (d) has or will or could be reasonably expected to have the effect of making any part of the Public Offer 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 Share Offer or pursuant to the underwriting thereof.

### **Undertakings given to the Stock Exchange pursuant to the GEM Listing Rules**

#### ***By our Company***

We have undertaken to the Stock Exchange that we shall 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 issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

#### ***By our Controlling Shareholders***

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Share Offer or the Offer Size Adjustment Option, he/it shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholdings in our Company is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this Prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, 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 Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he will cease to be a Controlling Shareholder (as defined in the GEM Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this Prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any securities in our Company beneficially owned by him/it in favour of an authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by him/it will be disposed of, immediately inform us in writing of such indications.

### ***Undertakings given to the Public Offer Underwriters***

#### ***By our Company***

Our Company has undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that except pursuant to the Share Offer, the Capitalisation

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Issue, the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme, during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the “**First Six-month Period**”), we will not, and will procure that its Subsidiaries not to, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally any legal or beneficial interest in the share capital of our Company;
- (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 such share capital or securities or any interest therein;
- (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 do any of the transaction specified in paragraph (a) or (b) or (c) above or announce any intention to do so, whether any of such transactions specified in paragraph (a) or (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

### ***By our Controlling Shareholders***

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that it will not, and will procure that none of its close associates will, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) at any time during the First Six-month Period:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly, by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest;
- (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 such capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

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- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

In addition, during the period of six months immediately following the First Six-month Period (the “**Second Six-month Period**”), each of our Controlling Shareholders will not enter into any of the transactions described in paragraph (a), (b), (c) or (d) above if, immediately following such transaction, it will cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company.

Until the expiry of the Second Six-month Period, in the event that any of our Controlling Shareholders enters into any of the transactions described in paragraph (a), (b), (c) or (d) above, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that it will, from the date of the Public Offer Underwriting Agreement up to and including the expiry of the Second Six-month Period:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of our Company or any interests therein in respect of which it is the beneficial owner, immediately inform our Company and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and
- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or securities or interests in the Shares or other securities of our Company will be disposed of, immediately inform our Company, the Joint Bookrunners and the Joint Lead Managers in writing of such indications.

Our Company will inform the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers in writing as soon as it has been informed of any of the matters referred to above (if any) by our relevant Controlling Shareholders and, the Company shall, if so required by the Stock Exchange or the GEM Listing Rules, inform the Stock Exchange and disclose such matters by way of an announcement and shall comply with all the requirements in accordance with the GEM Listing Rules as soon as possible.

Our Company and our Controlling Shareholders undertake with the Sole Sponsor, the Joint Bookrunners and each of the Public Offer Underwriters that each of them will not, and our Controlling Shareholders further agree to procure that our Company will not, effect any transactions, at any time within the First Six-month Period, which may reduce the holding of Shares in “public hands” (as such expression means under the GEM Listing Rules) below the relevant prescribed minimum percentage (25%) as is set out in and calculated in accordance with the GEM Listing Rules without having obtained the prior written consent of the Sole Sponsor and Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters).

### **Sole Sponsor’s and Underwriters’ interests in our Group**

Kingsway Capital, being the Sole Sponsor, satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor has been appointed as the compliance



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advisor of our Company with effect from the Listing Date until the despatch of our Company's financial results for the first full financial year of our Company after the Listing Date.

Save for their respective obligations under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement and save as otherwise disclosed in this Prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

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

### **The Placing**

In connection with the Placing, we expect to enter into the Placing Underwriting Agreement on or about the Price Determination Date with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the Placing Shares or procure purchasers for the Placing Shares initially being offered pursuant to the Placing. Please refer to the section headed "Structure and Conditions of the Share Offer — The Placing" in this Prospectus.

Under the Placing Underwriting Agreement, we intend to grant to the Placing Underwriters the Offer Size Adjustment Option, exercisable in whole or in part at one or more times, at the absolute discretion of the Joint Bookrunners on behalf of the Placing Underwriters. Please refer to the section headed "Structure and Conditions of the Share Offer — Offer Size Adjustment Option" in this Prospectus for more information.

### **Total commission and expenses**

We will pay the Joint Bookrunners (for themselves and on behalf of the other Underwriters) an underwriting commission of 8.5% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer (excluding any Placing Shares reallocated to the Public Offer and any Public Offer Shares reallocated to the Placing), out of which the Public Offer Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Public Offer Shares reallocated to the Placing, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Joint Bookrunners and the relevant Placing Underwriters, but not the Public Offer Underwriters.

Assuming the Offer Size Adjustment Option is not exercised and based on an Offer Price of HK\$0.30 (being the mid-point of the stated range of the Offer Price between HK\$0.20 and HK\$0.40), the aggregate commissions and estimated expenses, together with the Stock Exchange Listing fee, legal and other professional fees, printing and other fees and expenses relating to the Share Offer, are estimated to amount in aggregate to HK\$28.1 million in total and are payable by us.

### **Indemnity**

We and our Controlling Shareholders have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Public Offer Underwriters (for themselves and on trust for their respective directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their due performance of their obligations under the



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Public Offer Underwriting Agreement and any breach by us or our Controlling Shareholders of the Public Offer Underwriting Agreement.

### **Restrictions on the Offer Shares**

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.