
UNDERWRITING

HONG KONG UNDERWRITERS

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Hong Kong Underwriters

Cinda International Securities Limited
Kingston Securities Limited
Luen Fat Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offer, the Company is offering the Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong subject to the terms and conditions of this prospectus and the Application Forms. Pursuant to the Hong Kong Underwriting Agreement, and conditional upon, among other things, the Listing Committee granting the Listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued as mentioned in this prospectus (including any additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme) subject to such customary conditions that may be imposed by the Stock Exchange and certain other conditions including the Offer Price being determined by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) by entering into the Price Determination Agreement on or before the Price Determination Date, the Hong Kong Underwriters have agreed severally (not jointly or jointly and severally) to subscribe or procure subscribers to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination at any time prior to 8:00 a.m. on the Listing Date. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may in their sole and absolute discretion, upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect upon the occurrence of any of the following events:

- (a) there has come to the notice of any one of the Joint Global Coordinators:
 - (i) that any statement contained in any of this prospectus, the Application Forms and the formal notice (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate in any material respect or misleading in any aspect or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, Application Forms, formal notice and/or any announcements issued by the Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) are not fair and honest or not based on reasonable assumptions; or

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- (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom; or
- (iii) any breach of any of the warranties, obligations or undertakings given by or imposed upon any party to the Underwriting Agreements (other than any of the Hong Kong Underwriters or the International Underwriters) or any matter or event showing any of such warranties, obligations or undertakings to be untrue, incorrect, inaccurate in any material aspect or misleading or having been breached in any respect when given or repeated; or
- (iv) any matter, event, act or omission which gives or is likely to give rise to any material liability of any of Zhan Rui, Mr. Cai Chenyang, Mr. Cai Haifang and Ms. Cai Shengyin as the warrantors to the Underwriting Agreements (the “Warrantors”) pursuant to the indemnities referred to in the Underwriting Agreements given by the Warrantors or any of them; or
- (v) any material change or prospective change or development (whether or not permanent) in the earnings, business, operations, assets, liabilities, conditions, business affairs, results of operations, properties, prospects, profits, losses, or in the financial or trading position or performance of any member of the Group or the Group as a whole; or
- (vi) that approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- (vii) the Company withdrawing this prospectus and the Application Forms (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
- (viii) any person (other than the Hong Kong Underwriters) having withdrawn or sought to withdraw its consent to being named in or to the issue of this prospectus or any of the Application Forms; or

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- (b) there develops, occurs, exists or comes into force:
- (i) any act of force majeure or any event, or series of events, beyond the control of the Joint Global Coordinators including, without limitation, acts of government, economic sanctions, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of diseases or epidemics (including, without limitation, SARS and H5N1 and such related/mutated forms) or interruption or delay in transportation and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or any other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the United States, Canada, the British Virgin Islands, the European Union (or any member thereof), the United Kingdom, the Cayman Islands, Japan, Singapore or any other jurisdiction relevant to any member of the Group (collectively, the “Relevant Jurisdictions”); or
 - (ii) any change or development involving a prospective change or development, 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, legal, fiscal, regulatory, currency or market matters or conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any moratorium, suspension, limitation or material restriction on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the New York Stock Exchange, NYSE Amex Equities, the Nasdaq National Market, the London Stock Exchange, or any other major international stock exchange, or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to that of the United States), or any disruption in securities settlement or clearance services or procedures in or affecting any of the Relevant Jurisdictions); or
 - (iii) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or any disruption in commercial banking or securities settlement or clearance services in any of the Relevant Jurisdictions or any jurisdiction where any of the stock exchanges referred to in paragraph (ii) above is located; or
 - (iv) 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 or affecting any of the Relevant Jurisdictions; or
 - (v) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
 - (vi) the occurrence of a change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or

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- (vii) any litigation or claim being threatened or instigated against any member of the Group or any of the Controlling Shareholders; or
- (viii) any director of the Company being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the chairman or chief executive officer of the Company vacating his office; or
- (x) the commencement by any judicial or regulatory or political body or organisation of any action against any director of the Company, or an announcement by any judicial or regulatory or political body or organisation that it intends to take any such action; or
- (xi) any contravention by any member of the Group of the Companies Ordinance, the Listing Rules or any applicable law; or
- (xii) any prohibition on the Company for whatever reason from allotting the Offer Shares (including the additional Shares that may be allotted and issued by the Company upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer, subscription or sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any applicable law; or
- (xiv) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by the Company of a supplemental prospectus or any other documents pursuant to the Companies Ordinance or the Listing Rules; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or any of the Controlling Shareholders or in respect of which any member of the Group or any of the Controlling Shareholders is liable prior to its stated maturity, or any loss or damage sustained by any member of the Group or any of the Controlling Shareholders (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xvi) a petition being or having been presented for the winding up or liquidation of any member of the Group or any of the Controlling Shareholders, or any member of the Group or any of the Controlling Shareholders making or having made any compromise or arrangement with its creditors or enters into a scheme of arrangement, or any resolution being or having been passed for the winding-up of any member of the Group or any of the Controlling Shareholders, or a provisional liquidator, receiver or manager being or having been appointed over all or part of the assets or undertaking of any member of the Group or any of the Controlling Shareholders, or anything analogous thereto having occurred in respect of any member of the Group or any of the Controlling Shareholders; or

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(xvii) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus;

and which, in any of the above cases, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters):

- (aa) is or is likely to or will or may have a material adverse effect on the business, financial, trading or other condition or prospects of the Company or the Group as a whole; or
- (bb) has or will have or may have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for, accepted, subscribed for or purchased or the distribution of Offer Shares or dealings in the Shares in the secondary market; or
- (cc) makes or may make or will or is likely to make it inadvisable, inexpedient or impracticable to proceed with or market the Hong Kong Public Offer and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or
- (dd) would have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the Underwriting Agreements.

“Material adverse effect” refers to a material adverse change, or any development likely to involve a prospective material adverse change, in the condition, financial, operational or otherwise, or in the earnings, business affairs or business prospects, assets or liabilities of the Company or any member of the Group, whether or not arising in its ordinary course of business.

Similar events are expected to be contained in the International Underwriting Agreement that may allow the International Underwriters to terminate their respective obligations under such agreement.

International Placing

In connection with the International Placing, it is expected that the Company, the Controlling Shareholders and the executive directors of the Company will enter into the International Underwriting Agreement with the International Underwriters on or about the Price Determination Date.

Under the International Underwriting Agreement, subject to the terms and conditions set forth in such agreement, the International Underwriters are expected to severally (not jointly or jointly and severally) agree to subscribe or procure subscribers to subscribe for, the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, the Warrantors will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the section headed “Undertakings” below.

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The Company is expected to grant to CISL as the stabilising manager the Over-allotment Option exercisable at any time from the Listing Date up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offer, to require the Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing in aggregate not more than 15% of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the Global Offering, solely to cover over-allocation, if any, in the International Placing.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering or any issue of shares or securities in compliance with Rules 10.08 (1) to (4) of the Listing Rules, the Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities of the Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Capitalisation Issue, the Global Offering (including the exercise of the Over-allotment Option, the options which may be granted under the Share Option Scheme) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to, among others, the Company and the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), he or she or it will not, and will procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (i) 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, or 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 or she or it is shown by this Prospectus to be the beneficial owner of the Shares (as defined in Rule 10.07(2) of the Listing Rules) (the “Relevant Securities”); or
- (ii) during the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

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Furthermore, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to, among others, the Company and the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he or she or it will:

- (i) if he or she or it pledges or charges any of the Group's securities beneficially owned by him or her or it in favor of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) if he or she or it receives indications, either verbal or written, from the pledgee or chargee that any of the Group's pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will also inform the Stock Exchange as soon as it has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to all the Joint Global Coordinators and the Hong Kong Underwriters (and is expected to undertake to the International Underwriters), and the Controlling Shareholders have agreed to procure (and are expected to agree with the International Underwriters to procure) that, except pursuant to the Capitalisation Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option, the options which may be granted under the Share Option Scheme), at any time after the date of the Hong Kong Underwriting Agreement and until the expiry of First Six-month Period, the Company will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and unless in compliance with the Listing Rules:

- (i) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell 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 such share capital or other securities of the 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 such capital or securities or any interest therein) or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
- (ii) 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 share capital or securities or any interest therein or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

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- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of the Shares or other securities, in cash or otherwise.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to the Company, the Joint Global Coordinators and the Hong Kong Underwriters (and is expected to undertake to the International Underwriters) that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) from the date of the Hong Kong Underwriting Agreement until the expiry of the First Six-month Period, it will not, and will procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it will not:
 - (i) offer, pledge, charge (other than any pledge or charge of the Company's issued share capital after the Global Offering in favor of an authorised institution (as defined in the Banking Ordinance, for a bona fide commercial loan), 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 of the Relevant Securities 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 such capital or securities or any interest therein) or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
 - (ii) 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 of the Relevant Securities or any interest therein or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,

whether any such transaction is to be settled by delivery of any of the Relevant Securities, in cash or otherwise;

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- (b) in the Second Six-month Period, it will not enter into any of the transactions in (a)(i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal, the Controlling Shareholders will cease to be a controlling shareholder; and
- (c) until the expiry of the Second Six-month Period, in the event that it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Each of the Controlling Shareholders has further undertaken to each of the Company, the Joint Global Coordinators, and the Hong Kong Underwriters that until the expiry of the Second Six-month Period, it will:

- (i) when it pledges or charges any securities or interests or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution in the securities of the Company, immediately inform the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of securities and nature of interest so pledged or charged; and
- (ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in or rights attaching to the securities of the Company will be sold, transferred or disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications.

Commission

The Hong Kong Underwriters will receive a commission of 5.0% of the aggregate Offer Price of all the Hong Kong Offer Shares and the International Underwriters will receive an underwriting commission of 5.0% of the aggregate of the Offer Price of all the International Placing Shares, out of which they will pay any sub-underwriting commissions. The Sole Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$36.3 million (equivalent to approximately RMB29.5 million) in total (based on an Offer Price of HK\$0.84 per Share, being the mid-point of the indicative Offer Price range of between HK\$0.70 and HK\$0.98 per Share), and will be payable by the Company.

Underwriters' interests in the Company

Save as disclosed under the paragraph headed "Sponsor's interests in the Company" below and as contemplated under the Underwriting Agreement, as at the Latest Practicable Date, none of the Underwriters was interested, directly or indirectly, in any shares or securities in any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of the Group.

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Sponsor's interests in the Company

Save as pursuant to the Underwriting Agreement and as disclosed in this prospectus, neither the Sponsor nor any of their associates is interested, directly or indirectly, in any shares or securities in any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of the Group.

No director or employee of any of the Sole Sponsor who is involved in providing advice to the Company has or may, as a result of the Global Offering, have any interest in any class of securities of the Company or any other member of the 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 by any such director or employee of the Sole Sponsor pursuant to the Hong Kong Public Offer).

None of the Sole Sponsor or any of their associates has accrued any material benefit as a result of the successful outcome of the Global Offering, including by way of example, the repayment of material outstanding indebtedness or success fees, other than the following:

- (i) by way of underwriting commission to be paid to the Joint Global Coordinators for acting as one of the Hong Kong Underwriters and one of the International Underwriters pursuant to the Underwriting Agreement;
- (ii) the financial advisory and documentation fees to be paid to the Sole Sponsor; and
- (iii) certain associates of the Sole Sponsor, whose ordinary business involves the trading of and dealing in securities, may be involved in the trading of and dealing in the securities in the Company.

No director or employee of the Sole Sponsor has a directorship in the Company or any other member of the Group.