

# UNDERWRITING

## UNDERWRITERS

### Placing Underwriters

#### *Joint Lead Managers*

China Merchants Securities (HK) Co., Limited  
Kingsway Financial Services Group Limited

#### *Co-Lead Manager*

OSK Securities Hong Kong Limited

#### *Co-Manager*

VC Brokerage Limited

### Public Offer Underwriters

#### *Joint Lead Managers*

China Merchants Securities (HK) Co., Limited  
Kingsway Financial Services Group Limited

#### *Co-Lead Manager*

OSK Securities Hong Kong Limited

#### *Co-Manager*

Daewoo Securities (Hong Kong) Limited  
VC Brokerage Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Public Offer Underwriting Agreement

Under the Public Offer Underwriting Agreement, the Company has agreed to offer the Public Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

Pursuant to the Public Offer Underwriting Agreement, and conditional upon, *inter alia*, the Listing Committee granting the listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus (either unconditionally or subject only 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 China Merchants Securities (for itself and on behalf of the Underwriters), the entering into of the Placing Underwriting Agreement and the Price Determination Agreement on or before the Price Determination Date, the Public

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Offer Underwriters have severally agreed to subscribe for, or procure subscribers to subscribe for, the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of the Public Offer Underwriting Agreement, this prospectus and the Application Forms.

### **Grounds for termination**

China Merchants Securities (for itself and on behalf of the Public Offer Underwriters) is entitled to terminate the Public Offer Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) to the Company if any of the following events shall occur prior to the Termination Time:

- (a) there comes to the notice of China Merchants Securities or any of the Public Offer Underwriters of any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Public Offer Underwriting Agreement (other than those undertaken by the Public Offer Underwriters and China Merchants Securities) which, in any such cases, is considered, in the sole and absolute opinion of China Merchants Securities (for itself and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or
- (b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any material respect; or
- (c) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of China Merchants Securities (for itself and on behalf of the other Public Offer Underwriters), an omission in the context of the Share Offer; or
- (d) any event, act or omission which gives or is reasonably likely to give rise to any material liability of the Company or any of the Controlling Shareholders (other than Telefield Charitable Fund) and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
- (e) there comes to the notice of any of China Merchants Securities or any of the Public Offer Underwriters any breach by any party to the Public Offer Underwriting Agreement (other than China Merchants Securities and/or the Public Offer Underwriters) of any provision thereof which, in the sole and absolute opinion of China Merchants Securities (for itself and on behalf of the other Public Offer Underwriters), is material; or

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- (f) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, BVI, the PRC, Germany, the United States, Luxembourg and any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or
  - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in, Hong Kong, the Cayman Islands, the BVI, the PRC, Germany, the United States, Luxembourg and any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
  - (iii) any change in the conditions of Hong Kong, the United States, Germany, the PRC or international equity securities or other financial markets; or
  - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, BVI, the PRC, Germany, the United States, Luxembourg and any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group; or
  - (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of the Group; or
  - (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the United States or by the European Union (or any member thereof) on Hong Kong or the PRC; or

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- (viii) a general moratorium on commercial banking activities in the PRC, Hong Kong, the United States or Germany declared by the relevant authorities; or
- (ix) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or
- (x) any other change whether or not ejusdem generis with any of the foregoing,

which, in the sole and absolute opinion of China Merchants Securities (for itself and on behalf of the other Public Offer Underwriters):

- (aa) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of the Group taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective Shareholder in his/her/its capacity as such Shareholder; or
- (bb) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or
- (cc) for any reason makes it impracticable, inadvisable or inexpedient to proceed with the Share Offer.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or any change of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions; and any market fluctuations, whether or not within the normal range therefor, may be considered a change of market conditions.

### **Undertakings**

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such an issue by the Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has jointly and severally undertaken to each of the Sponsor, the Company, the other Public Offer Underwriters and the Stock Exchange that:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its interests in the Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “**First Six-month Period**”), he/she/it shall not,

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and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of China Merchants Securities (for itself and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, (i) 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 or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any of the Shares or securities of the Company disclosed in this prospectus to be beneficially owned by him/her/it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/her/it) which is directly or indirectly a beneficial owner of any of the Shares or securities of the Company as disclosed in this prospectus as aforesaid (the “**Relevant Securities**”); (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities, in cash or otherwise; (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

- (b) he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, directly or indirectly, without the prior written consent of the Sponsor (for itself and on behalf of the other Public Offer Underwriters) and the Stock Exchange in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company or would together with the other Controlling Shareholders (other than Telefield Charitable Fund) cease to be controlling shareholders (as defined in the Listing Rules) of the Company;
- (c) in the event of a disposal of any Shares or securities of the Company or any interest therein within the Second Six-month Period, he/she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of the Company;
- (d) he/she/it shall, and shall procure that his/her/its associates and companies controlled by and nominees or trustees holding in trust for him/her/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder controlled by him/her/it of any Shares;

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- (e) he/she/it shall comply with all applicable restrictions under the Listing Rules on the disposal by him/her/it or by the registered holder(s) of any Shares or other securities of the Company in respect of which it is shown in this prospectus to be interested therein;
- (f) neither he/she/it nor any of his/her/its associates nor any companies controlled by him/her/it nor any nominee or trustee holding in trust for him/her/it has any present intention of disposing of any Shares or other securities of the Company in respect of which he/she/it is shown in this prospectus to be interested therein; and
- (g) he/she/it shall not, and shall procure that none of his/her/its associates and the companies controlled by him/her/it or any nominee or trustee holding in trust for he/she/it shall/will sell, transfer or otherwise dispose of (including without limitation the creation of any option over) or create any rights in respect of any interest in any Shares or securities of the Company owned or held by him/her/it, his/her/its associates or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/her/it which is directly or indirectly the beneficial owner of any of the Shares or securities of the Company) immediately following the completion of the Capitalisation Issue and the Share Offer (i) within the First Six-month Period; and (ii) within the Second Six-month Period.

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has further undertaken to each of the Company, the Sponsor, the other Public Offer Underwriters and the Stock Exchange that, within the First Six-month Period and the Second Six-month Period, he/she/it shall:

- (a) when he/she/it pledges or charges any securities or interests in the Relevant Securities, immediately inform the Company and the Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (b) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company and the Sponsor in writing of such indications.

Telefield Charitable Fund has provided similar undertakings as those given by each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune to the Stock Exchange in relation to certain restrictions on disposal of shares during the First Six-month Period and the Second Six-month Period.

The Company will inform China Merchants Securities and the Stock Exchange as soon as it has been informed of the matters above (if any) by Dragon Fortune, Telefield Charitable Fund, Century Win, Mr. Cheng and Mrs. Cheng and disclose such matters by way of an announcement.

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### **Placing Underwriting Agreement**

In connection with the Placing, it is expected that, among others, the Company, the executive Directors, Mr. Cheng, Mrs Cheng, Century Win and Dragon Fortune will enter into the Placing Underwriting Agreement with the Placing Underwriters. It is expected that upon the entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally agree to subscribe or procure purchasers for, or failing which, to purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting 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. It is expected that pursuant to the Placing Underwriting Agreement, each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings” under the sub-section headed “Underwriting arrangements and expenses” in this section.

### **Commission and expenses**

The Public Offer Underwriters will receive an underwriting commission of 3% 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. In addition, the Sponsor will receive financial advisory and documentation fees for acting as the Sponsor to the Share Offer. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK\$1.18 (being the mid-point of the indicative Offer Price range of HK\$1.01 per Offer Share and HK\$1.35 per Offer Share), such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Share Offer are estimated to be approximately HK\$20.8 million in total and are payable by the Company.

### **Public Offer Underwriters’ interests in the Company**

Save for their respective obligations and interests under the Public Offer Underwriting Agreement as disclosed above and the proposed appointment of the Sponsor as compliance adviser of the Company, none of the Public Offer Underwriters has any shareholding interest in the Company or any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.