
UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Sole Bookrunner

Haitong International Securities Company Limited

Co-lead Managers

Somerley Limited

First Shanghai Securities Ltd.

China Merchants Securities (HK) Co., Limited

China Everbright Securities (HK) Limited

Oriental Patron Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting arrangements

The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters, in each case on a several basis. The Public Offer Underwriting Agreement was entered into on 16 April 2012 and in connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters. The Public Offer Underwriting Agreement is conditional upon (among other things) the Placing Underwriting Agreement being entered into, and the respective Underwriting Agreements are expected to be inter-conditional.

The Public Offer Underwriting Agreement

Under the Public Offer Underwriting Agreement, we have 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 (subject only to allotment and/or despatch of share certificates for the Offer Shares and such other usual conditions for transaction of this nature) and certain other conditions including the Offer Price being determined by our Company and the Sole Bookrunner (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 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.

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Grounds for termination

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

- (a) there comes to the notice of any of the Sole Sponsor, the Sole Bookrunner 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 given by our Company or any of our executive Directors and any of the covenantors named therein (namely, Mr. Li, Mr. Lang, Hongfa Holdings, All Five Capital and Novi Holdings) (collectively, the “**Covenantors**”) to be untrue, inaccurate or misleading in any 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, the Sole Sponsor and/or the Sole Bookrunner) which, in any such cases, is considered, in the sole opinion of the Sole Bookrunner (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 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 opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), an omission in the context of the Share Offer; or
- (d) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our executive Directors and the Covenantors arising out of or in connection with any representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
- (e) the Placing Underwriting Agreement is terminated pursuant to its terms; or
- (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, the BVI, the PRC, Australia, any of the jurisdictions in which our Group operates (the “**Relevant Jurisdiction**”); or

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- ii. any change in, or any event or series of events or development resulting or likely to result in any change in the local, national, regional or international financial, currency or stock market conditions or prospects, or political, military, industrial or economic conditions or prospects in the Relevant Jurisdiction; or
- iii. any change in the conditions of Hong Kong, the US, Australia, 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 the Relevant Jurisdiction; or
- vi. any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
- vii. the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US, the European Union (or any member thereof) on Australia, Hong Kong or the PRC; or
- viii. a general moratorium on commercial banking activities in the PRC or Hong Kong 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 opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):

- 1. is or will be adverse, in any material respect, to the business, financial or trading condition or prospects of our Group taken as a whole or, in the case of sub-paragraph (iv) above, on any present or prospective shareholder in his/its capacity as such shareholder of our Company; or

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2. has or will 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
3. for any reason makes it impracticable or inadvisable or inexpedient to proceed with the Share Offer as a whole.

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 US or any change of the value of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions.

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Under Rule 10.08 of the Listing Rules, no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such an issue of Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances as prescribed by Rule 10.08 of the Listing Rules.

Under the Public Offer Underwriting Agreement, our Company has undertaken to and covenanted with the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that, and each of the Covenantors and the executive Directors has jointly and severally undertaken to and covenanted with the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters to procure (so far as he/it is able to do so) that:

1. without the prior written consent of the Sole Sponsor and the Sole Bookrunner (on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Capitalisation Issue, the grant of the Over-allotment Option, the Over-allotment Shares upon the exercise of the Over-allotment Option, the grant of options under the Share Option Scheme, any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the Memorandum of Association and the Articles or any consolidation, sub-division or capital reduction our Shares, our Company shall not:
 - (a) allot and issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of our Company, or offer or agree to do any of the foregoing or announce any intention to do so:
 - i. at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Covenantors is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”); or

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- ii. at any time during the six months commencing on the date on which the First Lock-up Period expires (the “**Second Lock-up Period**”), so as to result in the Controlling Shareholders, taken together with the other of them, ceasing to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; or

- (b) at any time during the First Lock-up Period, subject to the Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, our Company shall not make or agree to make any repurchase of any Shares or other securities of our Company.

Under Rule 10.07(1) of the Listing Rules, the Controlling Shareholders shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) during the First Lock-up Period, dispose of, nor enter into any agreement to 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 Shares or our securities in respect of which they are shown by this prospectus to be the beneficial owners; or

- (b) at any time during the Second Lock-up Period, 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 Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be our controlling shareholder (as defined in the Listing Rules).

In accordance with Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has also jointly and severally undertaken to us and the Stock Exchange that, during the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is the 12 months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any securities of our Company beneficially owned by him/it in favour of an authorized institution pursuant to Note (2) to Rule 10.07 (2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

- (2) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform us of such indications.

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Under Note (3) to Rule 10.07 (2) of the Listing Rules, we are required to inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (1) or (2) above by any of the Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

Under the Public Offer Underwriting Agreement, each of the Covenantors has jointly and severally undertaken to us, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that, save as (i) pursuant to the Share Offer or the Stock Borrowing Agreement; or (ii) permitted under the Listing Rules:

- (a) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the First Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (the “**Banking Ordinance**”)), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalisation Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (save any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules;
- (b) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the Second Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalisation Issue or any interest in any shares in any company controlled by him/it which is the beneficial

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owner of any of these Shares, or announce any intention to do so, if, immediately following such action, the Controlling Shareholders, when taken together, would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; and

- (c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date by reference to which disclosure of his/its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:
 - (i) when he/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company or those of Hongfa Holdings, All Five Capital and, or Novi Holdings beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us, the Sole Sponsor and the Sole Bookrunner (on behalf of the Public Offer Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as requested by us, the Sole Sponsor and/or the Sole Bookrunner (on behalf of the Public Offer Underwriters); and
 - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over our Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform us of such indications, and inform the Sole Sponsor and the Sole Bookrunner (on behalf of the Public Offer Underwriters) as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Covenantors will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Bookrunner and the Placing Underwriters on or before the Price Determination Date. It is expected that under the Placing Underwriting Agreement, the Placing Underwriters will, subject to certain conditions set out therein, severally agree to subscribe or procure subscribers to subscribe for the Placing Shares to be initially being offered under the Placing (subject to reallocation) on and subject to the terms of the Placing Underwriting Agreement. The Placing Underwriting Agreement is expected to contain force majeure provisions as that contained in the Public Offer Underwriting Agreement as mentioned above. In the event that the Placing Underwriting Agreement is not entered into on or before the Price Determination Date, or does not become unconditional or is terminated in accordance with its terms, the Share Offer will not proceed and will lapse.

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It is expected that under the Placing Underwriting Agreement, our Company will grant the Over-allotment Option to the Sole Bookrunner (in its sole and absolute discretion) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last date for lodging of applications under the Public Offer, to allot and issue up to an aggregate of 19,464,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price of the Public Offer Shares and the Placing Underwriters is expected to receive a Commission of 1.5% of the aggregate Offer Price of the Placing Shares, out of which they will pay any sub-underwriting commissions. Our Company may, at our sole discretion, pay to the Sole Bookrunner an incentive fee of up to 2% of the aggregate Offer Price for the Offer Shares, such amount shall be retained by the Sole Bookrunner absolutely. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK\$1.27 (being the mid-point of the indicative Offer Price range of HK\$1.01 per Offer Share and HK\$1.52 per Offer Share), such underwriting commission, 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\$29.3 million in total (assuming the incentive fee referred to above is not payable) and are payable by the Company.

Public Offer Underwriters' interests in our Company

Save for their respective obligations and interests under the Underwriting Agreements, none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in and any member of our Group.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.