

Underwriting Agreement

relating to an Open Offer of Artini China Co. Ltd.

Artini China Co. Ltd.

Walifax Investments Limited

Tse Hoi Chau

Guotai Junan Securities (Hong Kong) Limited

MinterEllison

L A W Y E E R S

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Underwriting Agreement

Date

Parties

Name **Artini China Co. Ltd. ('Company')**
Address Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Hong Kong

Name **Walifax Investments Limited ('Walifax Investments')**
Address Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands

Name **Tse Hoi Chau ('Mr. Tse')**
Address Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Hong Kong

Name **Guotai Junan Securities (Hong Kong) Limited ('Underwriter')**
Address 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong

Background

- A The Company is a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange. As at the date hereof, the Company has an authorised share capital of HK\$300,000,000 divided into 3,000,000,000 Existing Shares, of which 1,237,320,323 Existing Shares have been issued and are fully paid or credited as fully paid. As at the date hereof, the Company has neither outstanding warrants nor convertible securities entitling holders thereof to subscribe for any Shares, but has outstanding Share Options entitling the Optionholders to subscribe for an aggregate of 108,000,000 Shares.
- B The Company has obtained undertakings from each of the Optionholders that they will not exercise any subscription rights of the Share Options to subscribe for any Shares at any time from the date hereof and up to the completion of the Open Offer.
- C The Company proposes to effect the Capital Reorganisation. On the basis of the aforesaid number of Existing Shares in issue and upon the Capital Reorganisation becoming effective, 618,660,161 New Shares would remain in issue and the aggregate nominal value of the issued share capital of the Company will become approximately HK\$6,186,601.61.

- D Upon the Capital Reorganisation becoming effective, the Company proposes to offer by way of open offer 1,855,980,483 Offer Shares to the Qualifying Shareholders on the basis of three Offer Shares for every New Share held on the Record Date.
- E Application shall be made to the Stock Exchange to grant (subject to allotment) for listing of and permission to deal in the Offer Shares in fully-paid form.
- F As at the date hereof, Mr. Tse directly owns 7,412,000 Existing Shares representing 0.60% of the existing issued share capital of the Company and has agreed to give, on the terms and conditions of this Agreement, an irrevocable undertaking in favour of the Company to subscribe for or procure subscription of all the 11,118,000 Offer Shares to be allotted to him pursuant to the Open Offer.
- G As at the date hereof, Walifax Investments, a company wholly owned by Mr. Tse, owns 542,633,994 Existing Shares representing 43.86% of the existing issued share capital of the Company and has agreed to give, on the terms and conditions of this Agreement, an irrevocable undertaking in favour of the Company to subscribe for or procure subscription of all the 813,950,991 Offer Shares to be allotted to it pursuant to the Open Offer.
- H On the terms and subject to the conditions contained in this Agreement, the Underwriter has agreed to underwrite the subscription of the Underwritten Shares (as defined below) insofar as such Underwritten Shares are not taken up under the Open Offer.

Agreed terms

1. Definitions and interpretation

1.1 In this Agreement (including the recitals) the following expressions shall, unless the context otherwise requires, have the meanings set opposite them respectively:

"Agreement"	this underwriting agreement;
"Application Form(s)"	the application form(s) in such form as may be agreed between the Company and the Underwriter to be issued to Qualifying Shareholders in connection with the Open Offer on the Prospectus Issue Date;
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business;
"Capital Reduction"	the reduction of the issued share capital of the Company by cancelling (i) the paid up capital to the extent of HK\$0.19 on each then issued Consolidated Share such that the nominal value of all then issued Consolidated Shares will be reduced from HK\$0.20 each to HK\$0.01 each, and (ii) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation in order to round down the total number of Consolidated Shares in issue to a whole number;
"Capital Reorganisation"	the Share Consolidation, the Capital Reduction, the Elimination of Accumulated Losses and the Share Subdivision;
"Consolidated Share(s)"	the ordinary share(s) of HK\$0.20 each in the share capital of the Company immediately following the Share Consolidation and prior to the Capital Reduction and the Share Subdivision;
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
"CCASS Underwritten Shares"	those Underwritten Shares which the Underwriter request the Company to deposit into CCASS pursuant to clause 5.6(b);
"Companies Act"	the Companies Act 1981 of Bermuda;
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong);
"Director(s)"	the director(s) of the Company;
"Elimination of Accumulated Losses"	the transfer of credit amount arising from the Capital Reduction to the contributed surplus account of the Company, and the whole sum of which will be applied to set off against part of the accumulated losses of the Company as at 31 March 2014;

"Excess Application Form(s)"	the form(s) of application for excess Offer Shares in such form as may be agreed between the Company and the Underwriter;
"Excluded Shareholder(s)"	those Overseas Shareholder(s) in respect of whom the Directors, based on legal opinion(s) provided by the Company's legal adviser(s), consider it necessary or expedient not to offer the Offer Shares to such Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
"Existing Share(s)"	the ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately before the Capital Reorganisation;
"Final Acceptance Date"	27 November 2014 or such other date as may be agreed in writing between the Company and the Underwriter and described as the latest time for acceptance of and payment for the Offer Shares and application for excess Offer Shares in the Prospectus;
"Group"	the Company and its Subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Shareholder(s)"	the Shareholder(s), other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, who is/are not involved in, nor interested in, this Agreement;
"Issue Price"	HK\$0.10 per Offer Share;
"Listing Committee"	the listing committee of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"New Share(s)"	the ordinary share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective;
"Offer Shares"	the New Shares proposed to be allotted and issued under the Open Offer, being 1,855,980,483 Offer Shares to the Qualifying Shareholders for subscription on the terms and subject to the conditions mentioned herein and more particularly described in the Press Announcement and the Open Offer Documents;
"Open Offer"	the proposed issue by the Company of the Offer Shares on the basis of three Offer Shares for every one New Share at the Issue Price on the terms and conditions mentioned herein and more particularly described in the Press Announcement and the Open Offer Documents;
"Open Offer Documents"	the Prospectus, the Application Form and the Excess

	Application Form;
"Optionholders"	holders of the Share Options;
"Overseas Letter"	a letter from the Company to the Excluded Shareholders advising them of the arrangements made for their entitlements under the Open Offer, in a form to be agreed between the Company and the Underwriter;
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) in place(s) outside Hong Kong
"PRC"	the People's Republic of China, and for the purpose of this Agreement, excluding Hong Kong and Taiwan unless otherwise stated;
"Press Announcement"	the press announcement relating to, inter alia, the Open Offer;
"Prospectus"	the document relating to the Open Offer to be despatched to the Shareholders on the Prospectus Issue Date;
"Prospectus Issue Date"	13 November 2014 or such other date as may be agreed in writing between the Company and the Underwriter for the despatch of the Open Offer Documents;
"Qualifying Shareholder(s)"	Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date other than the Excluded Shareholders;
"Record Date"	11 November 2014 or such other date as the Company and the Underwriter may agree in writing;
"Registrar"	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company;
"RTGS"	Real Time Gross Settlement;
"SFC"	the Securities and Futures Commission;
"SFO"	the Securities and Futures Ordinance, Cap 571, Laws of Hong Kong;
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve among other things the Capital Reorganisation and the Open Offer;
"Share(s)"	Existing Share(s) or New Share(s) (as the case may be);
"Share Consolidation"	the consolidation of every two (2) Existing Shares of nominal value of HK\$0.10 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of nominal value of HK\$0.20 each;
"Share Subdivision"	the sub-division of each unissued Consolidated Share (including all those arising from the Capital Reduction) in the

	authorised share capital of the Company of nominal value of HK\$0.20 each into twenty (20) New Shares of nominal value of HK\$0.01 each;
"Share Options"	share options granted by the Company to subscribe for an aggregate of 108,000,000 Shares pursuant to the Share Option Scheme, which have been fully vested and are outstanding as the date of this Agreement;
"Share Option Scheme"	the share option scheme adopted by the Company on 23 April 2008;
"Shareholder(s)"	holders of Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiaries"	shall have the meaning as ascribed thereto in section 2(4) of the Companies (WUMP) Ordinance;
"Underwritten Shares"	all the Offer Shares less such number of Offer Shares Mr. Tse and Walifax Investments undertake to take up pursuant to Clause 4, being 1,030,911,492 Offer Shares
"Untaken Shares"	those (if any) of the Underwritten Shares for which valid Application Forms or Excess Application Forms duly completed in accordance with the terms and conditions set out in the Open Offer Documents (accompanied by cheques or banker's cashier orders for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance or received, as the case may be, on or before 4:00 p.m on the Final Acceptance Date;
"Warranties"	the representations and warranties under clause 8 and those set out in the schedule; and
"HK\$"	Hong Kong dollars.

- 1.2 Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted.
- 1.3 References to the singular shall include the plural, references to any one gender shall include every gender, references to persons shall include bodies corporate and unincorporated; and (in each case) vice versa.
- 1.4 References to "material" in this Agreement, including the schedules shall mean material in the context of the Open Offer (and "materially" shall be construed accordingly).
- 1.5 References to parties, recitals, schedules and clauses are respectively to the parties, the recitals, schedules and clauses of this Agreement.
- 1.6 Headings used in this Agreement are for convenience only and shall not affect its interpretation.
- 1.7 References to times and days in this Agreement are, unless otherwise specified, to Hong Kong times and days.

2. Conditions Precedent

2.1 The Underwriter's obligations under this Agreement are conditional on:

- (a) the passing of necessary resolutions on a vote taken by way of poll at the SGM to approve the Capital Reorganisation by the Shareholders and the Open Offer by the Independent Shareholders;
- (b) the Capital Reorganisation becoming effective;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked listing of and permission to deal in all the New Shares;
- (d) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Open Offer Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by a resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Issue Date;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares by no later than the Prospectus Issue Date;
- (f) the posting of the Open Offer Documents to the Qualifying Shareholders on the Prospectus Issue Date;
- (g) this Agreement becoming unconditional and not being terminated by the Underwriter pursuant to the terms thereof before 4:00 p.m. on the third Business Day after the Final Acceptance Date; and
- (h) compliance with and performance of all the undertakings and obligations of the Company under the terms of this Agreement;
- (i) compliance with and performance of all the undertakings and obligations of Mr. Tse under the terms of this Agreement; and
- (j) compliance with and performance of all the undertakings and obligations of Walifax Investments under the terms of this Agreement.

2.2 If the conditions set out in clause 2.1 are not fulfilled by or at the time and/or date specified thereof (or if no time or date is specified, 4:00 p.m. on the third Business Day following the Final Acceptance Date, or such other time as may be agreed between the Company and the Underwriter), or shall become incapable of being fulfilled on or before such time, this Agreement may be terminated by the Underwriter by written notice to the Company, in which case the Open Offer will not proceed and no party shall have any claim against any other party (save for any antecedent breaches hereof) save that all such reasonable expenses as may have been properly incurred by the Underwriter in connection with the Open Offer shall be borne by the Company.

2.3 Each party to this Agreement severally undertakes to other parties to use their respective best endeavours to procure fulfilment of the conditions referred to in clause 2.1.

3. Open Offer

3.1 Subject to the fulfilment of the conditions set out in clause 2.1:

- (a) the Company will offer the Offer Shares to the Qualifying Shareholders at the Issue Price on the terms and bearing such rights as set out in the Open Offer Documents to be posted to the Qualifying Shareholders on the Prospectus Issue Date, on the basis that payment for each Offer Share shall be made in full on application not later than 4:00 p.m. on the Final Acceptance Date;
- (b) the Company will, on the Prospectus Issue Date, post the Overseas Letter to the Excluded Shareholder(s) (if any) each accompanied with a copy of the Prospectus stamped "For Information Only" in accordance with the Companies (WUMP) Ordinance;
- (c) the Company will allot and issue the Offer Shares upon the terms and subject to the conditions set out in the memorandum of association and bye-laws of the Company and in accordance with the Open Offer Documents; and
- (d) the Company shall ensure that all applications pursuant to Excess Application Forms are properly processed and dealt with in accordance with the terms of the Prospectus and the Excess Application Forms and the Company undertakes that the allocation of such Offer Shares (if any) as are available to satisfy such applications shall be made at the discretion of the Directors, but on a fair and reasonable basis as far as practicable.

4. Undertakings by Mr. Tse and Walifax Investments

- 4.1 Each of Mr. Tse and Walifax Investments severally represents to and irrevocably undertakes with the Company that, subject to the conditions set out in clause 2.1 being fulfilled, all Shares or New Shares (as the case maybe) directly owned by him or Walifax Investments will remain registered in their respective names from the date hereof to the Record Date. Each of Mr. Tse and Walifax Investments irrevocably undertakes with the Company that he and Walifax Investments shall subscribe for or procure subscription of all the 11,118,000 Offer Shares and 813,950,991 Offer Shares that will be allotted to them respectively as the holder of such New Shares under the Open Offer and will deliver to the Registrar no later than 4:00 p.m. on the Final Acceptance Date the duly completed Application Forms in respect of all such Offer Shares allotted to them under the Open Offer together with a cheque or banker's cashier order or by RTGS for the full amount payable upon such Open Offer.
- 4.2 In default of any of Mr. Tse or Walifax Investments complying with his/its obligations under clause 4.1, the Company shall, subject always to the provisions of clauses 2 and 10, be entitled (but not obliged) to allot and issue the Offer Shares for which Mr. Tse or Walifax Investments is obliged to subscribe for on the terms of the Prospectus in the name of Mr. Tse and Walifax Investments respectively and payment for such Offer Shares at the Issue Price shall be made by Mr. Tse and/or Walifax Investments respectively forthwith thereafter. The rights of the Company under this clause 4.2 shall be in addition to, and not in substitution for, and shall not prejudice any other rights or remedies which the Company may have against each of Mr. Tse or Walifax Investments under or in respect of this Agreement.
- 4.3 Each of Mr. Tse and Walifax Investments irrevocably undertakes with the Company that he and Walifax Investments shall not apply for any entitlements of the Offer Shares of the Excluded Shareholders and for any Offer Shares provisionally allotted but not accepted by Qualifying Shareholders.

5. Underwriting

- 5.1 Subject to the provisions of this Agreement, if and to the extent that at 4:00 p.m. on the Final Acceptance Date, there shall be any Untaken Shares, and subject to clause 5.3, the Underwriter shall subscribe or procure subscription on the terms of the Open Offer Documents (so far as the same are applicable) for all such Untaken Shares and shall pay or procure to be paid to the Company the amount due on acceptance in respect thereof not later than 5:00 p.m. on the third Business Day following the Final Acceptance Date.
- 5.2 The Company hereby undertakes with the Underwriter to accept applications on Excess Application Forms which shall have been submitted in accordance with the terms and conditions set out in the Open Offer Documents before calling on the Underwriter to perform their obligations imposed by clause 5.1.
- 5.3 The Company agrees that the Underwriter may appoint any other person to be sub-agent(s) and notify the Company for such appointment for the purposes of sub-underwriting the Underwritten Shares pursuant to the Underwriter's appointment under clause 5.1. The Underwriter shall remain liable for all acts and omissions of any sub-agent(s) appointed by it and shall procure the compliance by its sub-agent(s) with all relevant obligations and provisions to which such Underwriter is subject or by which such Underwriter is bound pursuant to this Agreement.
- 5.4 In performance of their obligations hereunder, the Underwriter shall comply fully with all relevant laws and regulations and shall not do or omit anything the doing or omission of which shall cause the Company or any of the Directors to be in breach of any relevant laws or regulations and in particular, but without prejudice to the generality of the foregoing, shall ensure that all offers made by it of the Offer Shares are made only in compliance with all relevant securities legislation and do not require the registration of the Open Offer Documents or any of them or any other document as a prospectus or otherwise in any jurisdiction other than Hong Kong and Bermuda and the Underwriter shall not make or purport to make on behalf of the Company any representation or warranty not contained in the Open Offer Documents.
- 5.5 The Company undertakes to keep the Underwriter regularly informed of the number of Offer Shares validly accepted or validly applied for, on or before 6:00 p.m. on each Business Day during the period up to the Final Acceptance Date and shall notify the Underwriter in writing on or before 10:00 a.m. on the first Business Day immediately following the Final Acceptance Date of the total number of Untaken Shares (if any), and the Underwriter shall, if there exists any Untaken Shares, subscribe or procure subscribers to subscribe for the Untaken Shares in accordance with clause 5.1 and pay or procure the payment to the Company by way of banker's draft or cashier's order drawn on a bank in Hong Kong or such other way as may be agreed between the Company and the Underwriter of the aggregate Issue Price in respect of all such Untaken Shares less any amount payable to the Underwriter pursuant to clause 7, by not later than 5:00 p.m. on the third Business Day following the Final Acceptance Date.
- 5.6 The Untaken Shares dealt with as provided in clauses 5.1 and 5.5 shall be duly allotted and issued and either:
- (a) in respect of those Underwritten Shares which the Underwriter requests the Company to issue in scrip form, the allottees thereof shall be duly entered on the register of members of the Company in respect of the Offer Shares so allotted and certificates in respect thereof shall be issued in such names and in such denominations as the Underwriter may reasonably require and the same shall be delivered to the Underwriter or as it may direct; or

- (b) in respect of those Underwritten Shares which the Underwriter requests the Company to deposit into CCASS, the Company shall credit to each of the Underwriter's designated account with CCASS and provide sufficient evidence or confirmation of the same to the Underwriter and the Underwriter shall provide confirmation to the Company that it has notified CCASS to accept the CCASS Underwritten Shares. If any of the CCASS Underwritten Shares are not accepted for deposit into CCASS by 1 December 2014 (or such other date as the Company or the Underwriter may agree in writing) certificates in respect of such CCASS Underwritten Shares shall be issued in respect thereof on the basis set out in clause 5.6(a),

as soon as reasonably practicable upon receipt by the Company of payment as provided in clause 5.5 and all obligations and liabilities of the Underwriter under this Agreement shall thereafter cease.

- 5.7 If the Underwriter shall default in complying with its obligations under clauses 5.1 and 5.5, the Company is hereby irrevocably authorised to treat this Agreement as an application by the Underwriter on and subject to the terms and conditions and on the basis of the information contained in the Open Offer Documents (other than as to the time and method of acceptance and payment) for the Untaken Shares which have not been taken up due to the default of such Underwriter and to allot and issue the same to the Underwriter upon such terms and conditions. In such event, the Underwriter in default shall pay to the Company the full amount in respect of the Untaken Shares together with interest thereon at the rate of 8.0 per cent. per annum and calculated on a daily basis from the third Business Day immediately following the Final Acceptance Date up to but excluding the actual date on which payment is made by the Underwriter less any amount payable to the Underwriter pursuant to clause 7 against delivery by the Company to the Underwriter (or as it may direct) of documentary evidence of entitlement to the Untaken Shares. The rights of the Company under this clause shall be in addition to, and not in substitution for, and shall not prejudice any other rights or remedies which the Company may have against the Underwriter or in respect of this Agreement.
- 5.8 The Underwriter undertakes with the Company that it shall use all best endeavours to ensure that (i) each of the subscribers or purchasers of the Untaken Shares procured by it or by the sub-underwriters shall be a third party independent of, not acting in concert with and not connected with, the Company, any of the Directors, chief executive of the Company or substantial Shareholders or their respective associates or parties acting in concert with them; and (ii) the public float requirements under Rule 8.08(1)(a) of the Listing Rules be fulfilled by the Company upon completion of the Open Offer.

6. Allotment and Issue

- 6.1 As soon as reasonably practicable following the determination of the basis of allocation of the Offer Shares and performance by the Underwriter of its obligations under clause 5 (if called upon to do so), the Company shall duly allot and issue the Offer Shares validly accepted or validly applied for and shall issue certificates for the Offer Shares to the respective subscribers and allottees or their nominees (as the case may be) in accordance with the terms of the Open Offer Documents.
- 6.2 The Underwritten Shares taken up by the Underwriter as provided in clause 5 shall be duly allotted and issued and certificates in respect thereof shall be issued in such names and in such denominations as the Underwriter may require and the same shall be delivered to the Underwriter

or as it may direct, as soon as reasonably practicable following receipt by the Company of payment as provided in clause 5.5.

7. Fees and Expenses

- 7.1 In consideration of the Underwriter's services and provided the Open Offer and this Agreement shall have become unconditional and the Open Offer shall have been completed in accordance with its terms, and that the Underwriter shall have fulfilled all its obligations hereunder (but whether or not the Underwriter is called upon to subscribe or to procure subscribers for any of the Untaken Shares pursuant to clause 5), the Company will pay to the Underwriter an underwriting commission at the rate of 1.0 per cent of the total Issue Price for the Underwritten Shares underwritten by the Underwriter, together with all reasonable costs, fees and out-of-pocket expenses properly incurred by the Underwriter in connection with their underwriting of the Underwritten Shares.
- 7.2 In addition, the Company will be responsible for all reasonable costs, charges and expenses relating or incidental to the making of the Open Offer including without limitation the costs, charges and expenses arising from the admission of the Offer Shares to listing on the Stock Exchange, all fees payable to the Registrar of Companies in Hong Kong, the fees and expenses of its auditors, legal advisers, the Registrar, and printing, advertising, brokerage, stamp duties and relevant trading fees and SFC transaction levy in Hong Kong.
- 7.3 The Underwriter shall be at liberty to deduct the amount of underwriting commission and all costs, charges and expenses as set out in clause 7.2 from the amount of any subscription moneys payable by it pursuant to clause 5 but in the event that the said commission and all costs, charges and expenses as set out in clause 7.2 are not discharged by deduction, the same shall be paid by the Company to the Underwriter by not more than four Business Days after the Final Acceptance Date.
- 7.4 The Company shall by not more than four Business Days after the Final Acceptance Date or the date when the relevant invoices are tendered to the Company, whichever is the later, pay all other costs, charges and expenses howsoever of or incidental to the Open Offer and the arrangements hereby contemplated including printing and translation charges, capital duty, the fees and disbursements of the Company's reporting accountants, legal advisers (Hong Kong and overseas), Registrar and receiving bankers to the Open Offer (if any) and the fees payable to the Stock Exchange.

8. Representations, warranties and Indemnities

- 8.1 The Company represents and warrants to the Underwriter in the terms set out in the schedule as at the date of this Agreement. The Warranties shall be deemed to be repeated on the Prospectus Issue Date with respect (where relevant) to the Open Offer Documents in their final form and on the Final Acceptance Date, in each case with reference to the facts and circumstances then subsisting. The Company accepts that the Underwriter is entering into this Agreement in reliance on such representations and warranties.
- 8.2 The Company shall not do or omit to do (and shall procure that no subsidiary or associated company of the Company shall do or omit to do) any act or thing whereby any of the Warranties would become untrue or inaccurate in any material and adverse respect on the Prospectus Issue Date or on the Final Acceptance Date and undertakes to notify the Underwriter of any matter or event coming to its attention prior to the despatch of the Open Offer Documents or prior to the Final Acceptance Date which shows any Warranty to be or to have at any relevant time been

untrue or inaccurate in any material respect or which, had the Warranties been repeated on each day prior to the Final Acceptance Date, would have shown any Warranty to be or to have at any relevant time been untrue or inaccurate in any material respect.

- 8.3 If prior to the despatch of the Open Offer Documents or on or prior to 4:00 p.m. on the Final Acceptance Date, any matter or event comes to the attention of the Company as a result of which any Warranty if repeated immediately after the occurrence thereof would be untrue or inaccurate or which would render untrue, inaccurate or misleading any statement, whether of fact or opinion, contained in the Open Offer Documents if the same were issued immediately after such occurrence, the Company shall forthwith notify the Underwriter thereof, but without prejudice to the rights of the Underwriter pursuant to clause 10, the Company on the one hand and the Underwriter on the other hand shall forthwith consult each other with a view to agreeing what steps should be taken (including without limitation notifying the Stock Exchange and taking any steps necessary to avoid a false market in the Offer Shares and deciding what changes, if any, should be made to the Open Offer Documents or, if the Open Offer Documents have already been despatched, what announcement or circular, if any, should be made or despatched). The Company agrees not to make any such changes or announcements or despatch any such circular without the prior consent in writing of the Underwriter, such consent not to be unreasonably withheld or delayed.
- 8.4 The Company shall on demand indemnify the Underwriter and shall on demand hold the Underwriter indemnified against all reasonable loss or liability of any nature (including, without limitation, claims, costs, charges and expenses) arising from or in respect of any breach by the Company of any provision of this Agreement, or any claim which may be brought or threatened to be brought against the Underwriter (whether or not such claim is successfully compromised or settled), in each case arising out of or in relation to or by reason of the proper performance by the Underwriter of its obligations hereunder (and provided that such loss or liability is not connected with any failure by the Underwriter to comply strictly with its obligations hereunder), by any subscriber of any of the Offer Shares or any subsequent purchaser or transferee thereof or any other person claiming that he has suffered loss in respect of them as a result of:
- (a) the Open Offer Documents not containing all the information required to be stated therein or on the grounds that any statement, estimate or forecast contained in the Open Offer Documents is untrue, inaccurate or misleading;
 - (b) the Open Offer Documents failing or being alleged to fail to disclose sufficient information necessary to enable an informed assessment to be made by a reasonable investor of the assets and liabilities, financial position, profits and losses and prospects of the Group or of the rights attaching to the Offer Shares;
 - (c) any claims and proceedings arising out of matters which constitute a breach of any of the Warranties;
 - (d) other than a non-compliance or breach by the Underwriter of its obligations pursuant to clause 5.3, any breach of the laws or regulations of any country resulting from the allotment or issue of the Offer Shares or the distribution of the Open Offer Documents;
 - (e) any misrepresentation by either the Company or any of the Directors in connection with the Open Offer; or
 - (f) the allotment or issue of the Offer Shares,
- including in any such case (but without prejudice to the generality of the foregoing) all costs, charges and expenses which the Underwriter may properly and reasonably incur or bear in

disputing any such claim made against it or establishing any claim on its part under the provisions of this clause 8.4 provided that this indemnity shall not relate to any claims or proceedings, costs or expenses arising from any negligent act, omission or default, on the part of the Underwriter or its officers or employees and that the conduct of the defence (including any settlement of any such claim) shall be carried out by the Underwriter after, and on the basis of, regular consultations with the Company.

- 8.5 Save in respect of a breach of its obligations under clause 5.4, the Company shall not make any claim against the Underwriter to recover any damages which the Company may suffer arising out of the performance by the Underwriter of its obligations hereunder, provided that such damages do not arise from any negligent act, omission or default on the part of the Underwriter or its officers or employees.
- 8.6 If the Underwriter becomes aware of any claim relevant for the purposes of clause 8.4, the Underwriter shall give notice in writing thereof to the Company and shall take such action as the Company may reasonably request to avoid, dispute, resist, defend or appeal against the claim and any adjudication in respect thereof but subject to the Underwriter being indemnified and secured to its reasonable satisfaction against all losses and expenses to which it might thereby render itself liable to suffer and incur including without limitation legal expenses reasonably and properly incurred by their legal advisers.
- 8.7 The undertakings, Warranties and indemnities contained in this Agreement shall remain in full force and effect notwithstanding completion of the Open Offer and all matters and arrangements referred to in or contemplated by this Agreement.

9. Warranties of the Underwriter

- 9.1 The Underwriter represents and warrants to the Company that:
- (a) it has the requisite power and authority to enter into and perform this Agreement;
 - (b) it has taken all necessary corporate or other action to enable it to enter and perform its obligations hereunder and no other consents, actions, authorisations or approvals are necessary to enable or authorise it to perform its obligations hereunder;
 - (c) this Agreement constitutes legal, valid and binding obligations of it in accordance with its terms;
 - (d) the execution of, and the performance by it of its obligations under this Agreement will not:
 - (i) violate, conflict with or result in a material breach of or constitute default under the terms, provisions or conditions of its constitutional documents; or
 - (ii) result in a material breach of any order, judgment, decree of any court, contract, commitment or arrangement to which it is a party or by which it is bound.

10. Termination and force majeure

- 10.1 The Underwriter reserves the right to terminate the arrangements set out in this Agreement by notice in writing given to the Company at any time prior to 4:00 p.m. on the third Business Day following the Final Acceptance Date, if one or more of the following events or matters (whether or not forming part of a series of events) shall or may occur, arise, or exist:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the Warranties was (when originally given or when repeated in accordance with the provisions of this Agreement) untrue, inaccurate, misleading or breached, and in each case where it is material in the context of the Open Offer; or
- (b)
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any occurrence of local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of this Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
 - (iii) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout;
 - (iv) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing;
 - (v) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (vi) any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than 10 consecutive Business Days, excluding any suspension in connection with the clearance of the announcement or circular relating to the Capital Reorganisation, the Open Offer or the Open Offer Documents or other announcement or circular relating in connection with the Capital Reorganisation and Open Offer;
 - (vii) any material disruption in securities settlement, payment or clearance services in Hong Kong authorities;
 - (viii) any moratorium on commercial banking activities having been declared by Hong Kong authorities;
 - (ix) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which event or events, in the reasonable opinion of the Underwriter, is or are:-

1. likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;
2. likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or
3. so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer.

10.2 If prior to 4:00 p.m. on the third Business Day following the Final Acceptance Date:

- (a) the Company commits any material breach of or omits to observe any of the material obligations or undertakings expressed to be assumed by it under this Agreement;
- (b) the Underwriter shall receive notification pursuant to clause 8.2 or 8.3 of, or shall otherwise become aware of, the fact that any of the material Warranties was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in clause 8.2, and that the Underwriter shall, in its reasonable opinion, determine that any such untrue Warranty represents or may represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a prejudicial effect on the Open Offer; or
- (c) the Company shall, after any matter or event referred to in clause 8.3 has occurred or come to any of the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Open Offer Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing to the Company prior to 4:00 p.m. on the third Business Day following the Final Acceptance Date: to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under this Agreement.

- 10.3 Upon the giving of notice pursuant to clause 10.1 or clause 10.2, all obligations of the Underwriter under this Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with this Agreement except in respect of any antecedent breach of this Agreement; provided however that the Company shall remain liable to pay all reasonable costs, charges and expenses which may have been properly incurred by the Underwriter in connection with the Open Offer.

11. Successors bound

- 11.1 This Agreement shall be binding on and enure to the benefit of the parties to this Agreement, their respective successors, their permitted assigns and their respective personal representatives (as appropriate).

12. Assignment

- 12.1 No party to this Agreement shall assign or transfer any of its rights or obligations under this Agreement (all of which shall be incapable of assignment) or purport to do so.

13. General

13.1 Further assurance

The parties shall, and shall use their respective reasonable endeavours to procure that any necessary third parties shall do, execute and perform all such further deeds, documents, assurances, acts and things as any of the parties may reasonably require by notice in writing to the others to carry the provisions of this Agreement into full force and effect.

13.2 Time of the essence

Any date or period mentioned in this Agreement may be extended by agreement between the parties failing which, as regards any such date or period, time shall be of the essence of this Agreement.

13.3 Entire agreement

This Agreement constitutes the entire agreement between the parties with respect to the matters dealt with in this Agreement and supersedes any previous agreement between the parties in relation to such matters. The parties acknowledge that in entering into this Agreement they have not relied on any representation or warranty save as expressly set out in this Agreement or in any document referred to in this Agreement. No variation of this Agreement shall be valid or effective unless made by one or more instruments in writing signed by such of the parties which would be affected by such variation.

13.4 Waiver

No failure to exercise and no delay in exercising on the part of any of the parties any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

13.5 Severability

Notwithstanding that any provision of this Agreement may prove to be illegal or unenforceable, the remaining provisions of this Agreement shall continue in full force and effect.

13.6 Counterparts

This Agreement may be executed in one or more counterparts and upon due execution of all the counterparts each party to this Agreement shall be bound notwithstanding that each counterpart is not executed by or on behalf of all the parties.

13.7 Confidentiality

- (a) Each of the parties undertake with each other that it shall treat as strictly confidential all information received or obtained by it or its employees, agents or advisers as a result of entering into or performing this Agreement including information relating to the provisions of this Agreement, the negotiations leading up to this Agreement, the subject matter of this Agreement or the business or affairs of the other parties and that it will not at any time hereafter make use of or disclose or divulge to any person any such information and shall use its best endeavours to prevent the publication or disclosure of any such information.
- (b) The restrictions contained in clause 13.7(a) shall not apply so as to prevent the parties from making any disclosure required by law or by the Stock Exchange or regulatory or governmental body pursuant to rules to which the parties are subject or from making any disclosure to any professional adviser for the purposes of obtaining advice (providing always that the provisions of this clause 13.7 shall apply to such professional adviser and the parties shall procure that they apply to and are observed in relation to, the use or disclosure by such professional adviser of the information provided to them) nor shall the restriction apply in respect of any information which comes into the public domain otherwise than by a breach of this clause 13.7 by any party.

13.8 Announcements

Subject as required by law or by the Stock Exchange or any other applicable regulatory authority in Hong Kong, no announcement or circular by or on behalf of the Company (and in particular no announcement relating to the Open Offer) shall be issued or despatched during the period from the date of this Agreement up to and including the date of despatch of the certificates for the Offer Shares without the prior written approval of the Underwriter, such approval not to be unreasonably withheld or delayed.

14. Notices

14.1 Delivery

All notices demands or other communications which are to be given under this agreement shall be in writing and shall be addressed as shown below:

- (a) if to the Company
 - Address: Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Hong Kong
 - Facsimile: (852) 2330 2086
 - Attention: Mr. Joe Leung
- (b) if to Mr. Tse
 - Address: Flat B1, 1st Floor, Kaiser Estate, 1, 41 Man Yue Street, Hunghom Hong Kong
 - Facsimile: (852) 2330 2086
 - Attention: Mr. Tse
- (c) if to Walifax Investments
 - Address: Flat B1, 1st Floor, Kaiser Estate, 1, 41 Man Yue Street, Hunghom Hong Kong
 - Facsimile: (852) 2330 2086
 - Attention: Mr. Tse
- (d) if to the Underwriter
 - Address: 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
 - Facsimile: +852 2509 7791
 - Attention: Mr. Donny Wong

or to such other address or facsimile number or marked for the attention of such other person as the recipient may designate by notice given in accordance with the provisions of this clause.

14.2 Receipt

Any such notice may be delivered personally or by prepaid post or sent by facsimile transmission and shall be deemed to have been effectively served:

- (a) if by delivery in person, when delivered to the addressee;
- (b) if by facsimile transmission, when dispatched, subject to machine-printed confirmation of receipt being received by the sender; and
- (c) if by post:
 - (i) on the second Business Day following the day of posting if sent from Hong Kong to the address of a recipient in Hong Kong; or
 - (ii) on the seventh Business Day following the day of posting if sent from Hong Kong to the address of any overseas recipient (and vice versa) unless actually received sooner but if the delivery or receipt is on a day which is not a Business Day, or is after normal office hours in the place of receipt, it is deemed to be given on the succeeding Business Day.

14.3 Language

Each notice, demand or other communication and any other documents required to be delivered under this Agreement shall be either in English or accompanied by a certified translation into the English language.

15. Governing law, jurisdiction and process agent

- 15.1 This Agreement is governed by and is to be construed in accordance with the laws of Hong Kong and the parties hereby agree to submit to the non-exclusive jurisdiction of the courts of Hong Kong.
- 15.2 Nothing in this Agreement shall limit the right of any party to commence any legal action against the other parties and/or their property in any other jurisdiction or to serve process in any manner permitted by law, and the taking of proceedings, in any jurisdiction shall not preclude the taking of proceedings in any other jurisdiction whether concurrently or not.
- 15.3 Each party waives any right it has to object to an action being brought in the courts of Hong Kong, to claim that such action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction. Each party also agrees that a final judgement against it in any such legal action shall be final and conclusive and may be enforced in any other jurisdiction, and that a certified or otherwise duly authenticated copy of the judgement shall be conclusive evidence of the matters contained in the judgement.
- 15.4 Walifax Investments hereby appoints Mr. Tse of Flat B1, 1st Floor, Kaiser Estate, 1, 41 Man Yue Street, Hunghom, Hong Kong as its agent to receive and acknowledge on its behalf service of any writ, summons, order, judgment or other notice of legal process in Hong Kong. If for any reason the agent named below (or its successor) no longer serves as agent of Walifax Investments for this purpose, that Walifax Investments shall promptly appoint a successor agent and notify other parties in writing. Walifax Investments agrees that any such legal process shall be sufficiently served on it if delivered to such agent for service at its address for the time being in Hong Kong whether or not such agent gives notice thereof to other parties.

THE SCHEDULE

Warranties

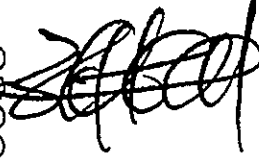
1. The recitals to this Agreement (save for recital (A)) are true and accurate in all respects and there are no rights (whether conditional or unconditional), other than as contemplated and disclosed under this Agreement, in existence to require the issue of any shares or other securities of any member of the Group now or at any time hereafter and no further share capital or loan capital, other than as contemplated and disclosed under this Agreement, will be issued by any member of the Group and no alteration will be made in the rights attached to any of the shares in the share capital of any member of the Group pending the commencement of dealings in the fully paid Offer Shares.
2. The Issue Price was determined by the Company after due and proper consideration and is fair and reasonable.
3. The information relating to the Group supplied to the Underwriter by the Company or its advisers for the purpose of the Open Offer has been prepared after due and proper consideration, is fair and reasonable and represents reasonable expectations based on assumptions referred to therein and facts known to the Company.
4. Every material statement of fact contained or to be contained in the Press Announcement and the Open Offer Documents (other than those made by the Underwriter) are or shall when made be true and accurate in all material respects and are not or shall not be misleading and shall not, in the reasonable opinion of the Underwriter, be materially adverse to the success of the Open Offer and there are no facts which are known or on reasonable enquiry could have been known to the Company which have not been disclosed to the Underwriter and not disclosed in the Open Offer Documents, the omission of which could make any statement in the Open Offer Documents misleading, in any material respect or which in the context of the Open Offer are material for disclosure therein.
5. The statements and the expressions of opinion, intention and expectation of the Company and the Directors contained or to be contained in the Press Announcement and the Open Offer Documents or in the documents referred to therein have been, or shall be, made after due and proper consideration, are fair and reasonable and based on facts known to the Company and the Directors and are truly and honestly held by the Directors and shall not contain anything which, in the reasonable opinion of the Underwriter, is materially adverse to the success of the Open Offer. The forecasts and estimates contained or to be contained in the Press Announcement and the Open Offer Documents are honest and fair.
6. The Open Offer Documents shall contain all material particulars required to comply in all respects with all Hong Kong statutory provisions so far as applicable and the requirements of the Stock Exchange and the issue of the Offer Shares in accordance with the Open Offer Documents shall comply with the Companies (WUMP) Ordinance, the Companies Act, the requirements of the Stock Exchange and all other relevant legislation or governmental regulations in Hong Kong or elsewhere and shall not involve any material breach of or default under any agreement, trust deed or instrument to which any member of the Group is a party which are materially adverse to the success of the Open Offer.
7. Subject to fulfilment of the conditions set out in clause 2.1, the Company has power under its memorandum of association and bye-laws to, and has taken all necessary corporate or other action

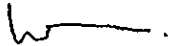
to enable it to, enter and perform its obligations under this Agreement and to make the Open Offer, to allot and issue the Offer Shares and to deal with the Offer Shares attributable to the Excluded Shareholders as may be specified in the Open Offer Documents and no other consents, actions, authorisations or approvals are necessary to enable or authorise it to do any of the aforesaid.

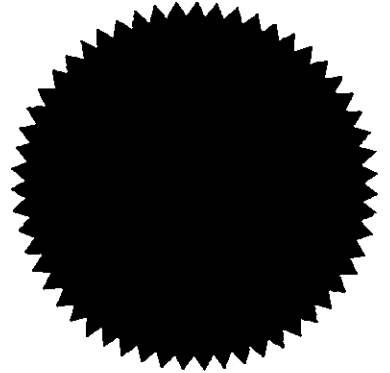
8. The obligations of the Company contained in this Agreement constitute the legal, valid and binding obligations of it in accordance with the terms of this Agreement.
9. The Offer Shares, when fully paid, shall be allotted and issued free from all liens, charges and encumbrances and third party rights, interests or claims of any nature whatsoever and shall rank pari passu in all respects with the Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Offer Shares.
10. The Open Offer Documents shall contain all information with regard to the Group which is or might be material for disclosure to a potential holder of the Offer Shares to enable Shareholders to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group and of the rights attaching to the Offer Shares.
11. The Company shall not from the date of this Agreement until after the Final Acceptance Date issue any Shares or issue or grant any share options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than the Offer Shares).
12. None of the Directors has been involved in the buying and selling of the Shares on his own account during the past 6 months from the date of this Agreement.

Signing page

SEALED with the COMMON SEAL of
WALIFAX INVESTMENTS LIMITED
and SIGNED by
in the presence of: Will Lam

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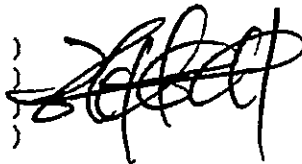
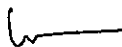




Signing page

EXECUTED AS A DEED BY
TSE HOI CHAU

and SIGNED by
in the presence of: Will Low



Signing page

SIGNED by WONG TUNG CHING
for an on behalf of
GUOTAI JUNAN SECURITIES
(HONG KONG) LIMITED

in the presence of: *CECILIA CHEUNG*

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