

DEED OF AMENDMENT
relating to China Sonangol
Resources Enterprise Limited
(formerly known as Artfield
Group Limited)

Dated

11 FEB 2011

2011

Kwongs
in association with SJ Berwin LLP

sjberwin 

THIS DEED OF AMENDMENT is made on *11th* February 2011

BETWEEN:

1. **CHINA SONANGOL RESOURCES ENTERPRISE LIMITED** (formerly known as **ARTFIELD GROUP LIMITED**), a company incorporated in Bermuda and whose registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (the "**Company**");
2. **ASCENT GOAL INVESTMENTS LIMITED**, a company incorporated in the British Virgin Islands and whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, British Virgin Islands (the "**Subscriber**").

WHEREAS:

- A. The Company and the Subscriber entered into a subscription agreement on 15 January 2008 (the "**Subscription Agreement**") pursuant to which the Company agreed to issue to the Subscriber, and the Subscriber agreed to subscribe to a convertible bond in the principal amount of HK\$200,000,000 to be issued by the Company (the "**Convertible Bond**"). The Subscription Agreement is attached to this Deed of Amendment as Appendix A.
- B. The Company issued a certificate (the "**Certificate**") together with terms and conditions of the Convertible Bond (the "**Terms and Conditions**") to the Subscriber on 14 March 2008. Under the Terms and Conditions, the maturity date of the Convertible Bond shall be a date falling 36 months from the date of the issue of the Certificate. The Certificate and the Terms and Conditions are attached to this Deed of Amendment as Appendix B.
- C. The Company and the Subscriber have decided to extend the maturity date of the Convertible Bond to a date falling 36 months from the date of the original maturity date of 13 March 2011 (the "**Maturity Date**"), upon the same terms and conditions (the "**Extension**").

NOW THIS DEED WITNESSES: -

1. The Subscription Agreement is hereby amended as follows:
 - 1.1 The definition of "**Conversion Period**" shall be replaced by the following new definition:

"**Conversion Period**" means the period commencing from the date of issue of the Certificate and ending on a date falling 36 months of the date of issue of the Certificate, and upon expiry of the same, the Conversion Period shall be extended for another 36 months;
2. The Terms and Conditions of the Convertible Bond shall be amended as follows:
 - 2.1 Clause 1 of the Terms and Conditions is hereby replaced by the following new Clause 1:
 - "1. Period

The Maturity Date of the Convertible Bond shall be a date falling 36 months from the date of the issue of the Certificate and shall be extended for another 36 months upon the expiry of the same. The Company shall repay the principal amount outstanding under the Convertible Bond to the Subscriber in full on the Maturity Date as herein extended."

- 3 Save for the above amendments, all other terms and conditions of the Subscription Agreement and Terms and Conditions of the Convertible Bond shall remain in full force.
- 4 The above amendments to the Subscription Agreement and the Terms and Conditions of the Convertible Bond are subject to the following conditions:
 - 4.1 the Company having convened a special general meeting at which resolutions shall have been duly passed by the independent shareholders of the Company to approve and ratify the Deed of Amendment;
 - 4.2 the Stock Exchange having approved the Extension pursuant to the Listing Rules; and
 - 4.3 all necessary consents and approvals required to be obtained on the part of the Company in respect of the Extension having been obtained.
- 5 This Deed of Amendment may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Deed of Amendment, but all the counterparts shall together constitute but one and the same instrument.
- 6 This Deed of Amendment is governed by and shall be construed in accordance with the laws of the Hong Kong Special Administrative Region, without regard to any conflicts of law rules that may mandate the application of the laws of another jurisdiction. The parties agree to submit to the non-exclusive jurisdiction of the courts of the Hong Kong Special Administrative Region.

IN WITNESS this Deed of Amendment has been entered into the day and year first above written.

SEALED with the common seal of
CHINA SONANGOL RESOURCES
ENTERPRISE LIMITED

and signed by *Lo Fong HUNG*
WANG XIANG FAI

in the presence of :

AT

TONG YUK YING ANGEL

) *Lo Fong HUNG*
)
)
) *Wang Xiang Fai*
)
)
)



Appendix A
Subscription Agreement

DATED 15th January 2008

(1) ARTFIELD GROUP LIMITED

and

(2) ASCENT GOAL INVESTMENTS LIMITED

SUBSCRIPTION AGREEMENT

relating to

ARTFIELD GROUP LIMITED

LI & PARTNERS

李偉斌律師行

22/F., World Wide House, Central, Hong Kong

香港中環環球大廈 22 樓

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Our Ref : KK/ML/EL/4469/01/07

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THIS AGREEMENT is made on the 15th day of January 2008

BETWEEN:

1. **ARTFIELD GROUP LIMITED**, a company incorporated in Bermuda and whose registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (the “**Company**”), details of which are set out in Schedule 1; and
2. **ASCENT GOAL INVESTMENTS LIMITED**, a company incorporated in the British Virgin Islands and whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “**Subscriber**”).

WHEREAS:

- A. The Company is a company incorporated in Bermuda with limited liability the shares of which are listed on the Main Board (Stock code 1229). As at the date of this Agreement, the Company has an authorized share capital of HK\$90,000,000 divided into 900,000,000 Shares of HK\$0.10 each of which 304,478,584 Shares have been issued and are fully paid or credited as fully paid.
- B. The Company has agreed to allot and issue to the Subscriber, and the Subscriber has agreed to subscribe for an aggregate of 400,000,000 new Shares representing 56.78% of the issued share capital of the Company as enlarged by the Subscription Shares (as defined below) at a subscription price of HK\$0.20 each, upon the terms and subject to the conditions set out in this Agreement.
- C. The Company has agreed to issue to the Subscriber, and the Subscriber has agreed to subscribe for the Convertible Bond in the principal amount of HK\$200,000,000, upon and subject to the terms and conditions set out in this Agreement. Upon full conversion of the Convertible Bond, an aggregate of 1,000,000,000 new Shares representing 58.67% of the issued share capital of the Company as enlarged by the Subscription Shares and the Conversion Shares (as defined below). The conversion price of the Convertible Bond is the same as the subscription price.
- D. Marigold Worldwide Group Limited (“**Marigold**”) is the controlling shareholder (within the meaning of the Listing Rules) of the Company and Mr. Yam Tak Cheung (“**Mr. Yam**”) is the legal and beneficial owner of the entire issued share capital of Marigold. Marigold and parties acting in concert with it are holding in aggregate not less than 39.14% of the Shares as at the date of this Agreement.

TERMS AGREED

1. **DEFINITIONS AND INTERPRETATION**

1.1 In this Agreement, the following words and expressions shall have the following meanings, unless the context otherwise requires:

- “Accounts”** means the audited consolidated financial statements of the Group for the accounting period ended on the Accounts Date (each such financial statement comprising a balance sheet, profit and loss account, statement of change in equity and cash flow statements);
- “Accounts Date”** means 31 March 2007;
- “acting in concert”** shall have the meaning as defined in the Takeovers Code;
- “Announcements”** means the announcements (in the agreed form with such amendments as may be required by the Stock Exchange, the SFC or the Subscriber) to be released by the Company in relation to this Agreement or matters contemplated herein;
- “associate”** shall have the meaning as defined in the Listing Rules;
- “Board”** means the board of directors of the Company for the time being;
- “Business Day”** means a day on which licensed banks in Hong Kong are required to be and are generally open for business (other than any Saturday, Sunday or gazetted public holiday in Hong Kong);

“Bye-laws”	means the Bye-laws of the Company as amended from time to time;
“Call Options”	means 60,895,000 call options granted by the Company to the grantee namely Mr. Wong Man Hin, Charles, pursuant to an option subscription agreement dated 24 August 2007 whereby the grantee have the rights to require, at any time during the option period, the Company to procure the delivery of one Share upon exercise of each call option (in total 60,895,000 Shares) by way of issuance and allotment of the new Shares at the exercise share price of HK\$1.165 per option;
“Call Option Offer”	means the cash offer for the transfer of all outstanding Call Options to be made by the Subscriber in accordance with the Takeovers Code as described in Clause 6;
“CCASS”	means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Certificate”	means the certificate to be issued in respect of the Convertible Bond in the form or substantially in the form set out in Schedule 3;
“Circular”	means the circular proposed to be sent to the shareholders of the Company, with which is printed the Notice;
“company”	means any company or body corporate wherever incorporated;
“Company’s Solicitors”	means Messrs. D. S. Cheung & Co. whose offices is at 1910-1913, Hutchison House, 10 Harcourt Road, Central, Hong Kong
“Companies Ordinance”	means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Completion”	means the simultaneous completion of the issue and allotment of the Subscription Shares and the issue of the Convertible Bond by the Company to the Subscriber in accordance with the terms and conditions of this Agreement;
“Completion Date”	means three Business Days after all of the

	Conditions have been fulfilled by the Company or, as the case may be, waived by the Subscriber (or such later date as the Parties may agree in writing);
“Conditions”	means the conditions precedent specified in Clause 4.1;
“Consideration”	means an amount equal to the number of the Subscription Shares multiplied by the Subscription Price and the principal amount of the Convertible Bond, to be paid by the Subscriber;
“Convertible Bond”	means the convertible bond (in the form of that set out in Schedule 3) in the principal amount of HK\$200,000,000 to be issued by the Company and subscribed by the Subscriber;
“Conversion Date”	means the date on which the right to convert the Convertible Bond is exercised by the Subscriber;
“Conversion Notice”	means the notice to be issued by the Subscriber to the Company exercising the right to convert the Convertible Bond (all or part of) into the Conversion Shares in the form or substantially in the form set out in Schedule 4;
“Conversion Period”	means the period commencing from the date of issue of the Certificate and ending on a date falling 36 months of the date of issue of the Certificate;
“Conversion Price”	means HK\$0.20 per Conversion Share;
“Conversion Shares”	means an aggregate of 1,000,000,000 Shares to be issued by the Company to the Subscriber upon full conversion of the Convertible Bond;
“Deposit”	means a sum of HK\$2,000,000;
“Directors”	means the directors of the Company, the names of which are set out in Schedule 1;
“Encumbrance”	means any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same;
“Extraordinary General	means the extraordinary general meeting of the

Meeting	Company (or any adjournment of such meeting) to be convened to consider the Resolutions set out in the Notice;
“Executive”	means the Executive of the Corporate Finance Division of the SFC;
“Group”	means the group of companies comprising the Company and its Subsidiaries. The expressions “Group Company” and “member of the Group” shall be construed accordingly;
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Adviser”	means the independent financial adviser to the Independent Shareholders in relation to the Share Offer, the Call Option Offer and the Option Offer pursuant to the Takeovers Code or any other relevant rules and regulations;
“Independent Shareholders”	means the disinterested holders of the Offer Shares, Call Options or Options as defined under or interpreted pursuant to the Takeovers Code;
“Listing Committee”	means the listing committee of the Stock Exchange;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	means 30 April 2008 (or such later date as the Parties may agree in writing);
“Main Board”	means the Main Board of the Stock Exchange;
“Management Accounts”	means the unaudited consolidated balance sheet of the Group as at 30 September 2007 and the unaudited consolidated profit and loss account of the Group for the period commencing from the day immediately following the Accounts Date and ending on 30 September 2007 which are contained in the interim report of the Company;
“Management Accounts Date”	means 30 September 2007;
“Maturity Date”	means the last day for the Company to repay the outstanding amount under the Convertible Bond, that is a date falling 36 months of the date of issue of

	the Certificate;
“Notice”	means the notice (to be included in the Circular) in a form satisfactory to the Subscriber convening the Extraordinary General Meeting;
“Offer Circular”	means the composite offer document to be circulated jointly by the Subscriber and the Company to the shareholders of the Company containing information regarding the Share Offer, the Call Option Offer and the Option Offer in accordance with the Takeovers Code and the Listing Rules;
“Offer Shares”	means the existing issued Shares save and except for Shares which are held by the Subscriber and parties acting in concert with them;
“Options”	means 9,129,570 share options granted by the Company pursuant to the share option scheme of the Company adopted on 28 August 2003;
“Option Offer”	means the cash offer for the cancellation of all outstanding 9,129,570 Options to be made by the Subscriber in accordance with the Takeovers Code as described in Clause 6;
“Parties”	means the named parties to this Agreement and “Party” means any one of them;
“PRC”	means the People’s Republic of China;
“Representative Director”	has the meaning ascribed to it in Clause 11.1;
“Resolutions”	means the resolutions to be considered by the shareholders of the Company (or, where applicable, by the independent shareholders of the Company) which are necessary to: (i) give effect to the transactions contemplated under this Agreement; and (ii) comply with the Listing Rules and the Takeovers Code and, including: <ul style="list-style-type: none"> (a) the approval of the terms of this Agreement; (b) the increase in the authorized share capital of the Company from 900,000,000 Shares to 5,000,000,000 Shares; (c) the approval of the issue and allotment of the Subscription Shares; and

- (d) the approval of the issue of the Convertible Bond and the issue and allotment of the Conversion Shares;
- “SFC”** means the Securities and Futures Commission of Hong Kong;
- “Shares”** means ordinary shares of HK\$0.1 each in the share capital of the Company;
- “Share Offer”** means the cash offer to be made by the Subscriber in accordance with the Takeovers Code for the Offer Shares as described in Clause 6;
- “Stock Exchange”** means The Stock Exchange of Hong Kong Limited;
- “Subscriber”** means Ascent Goal Investments Limited, a limited liability company incorporated under the laws of British Virgin Islands, a wholly-owned subsidiary of China Sonangol International Limited, which is a company incorporated under the laws of Hong Kong whose main business scope is oil field investments;
- “Subscription”** means the subscription by the Subscriber for the Subscription Shares and the Convertible Bond pursuant to and in accordance with the terms hereof;
- “Subscription Price”** means HK\$0.20 per Subscription Share;
- “Subscription Shares”** means 400,000,000 new Shares representing 56.78% of the enlarged issued share capital of the Company (immediately after Completion) to be subscribed for in cash by the Subscriber pursuant to and in accordance with the terms hereof;
- “Subsidiaries”** has the meaning as attributing to it in section 2 of the Companies Ordinance;
- “Takeovers Code”** means the Hong Kong Code on Takeovers and Mergers administered by the SFC;
- “Tax”** means all forms of taxation, deductions, withholdings, duties, imposts, levies, fees, charges, social security contributions and rates imposed, levied, collected, withheld or assessed by any local, municipal, regional, urban, governmental, state, federal or other body in Hong Kong or elsewhere and any interest, additional taxation, penalty,

surcharge or fine in connection therewith;

- “Trading Day”** means a full trading day upon which dealings take place in the Shares on the Stock Exchange;
- “Voting Rights”** means the voting rights (as defined in the Takeovers Code) of the Company;
- “Warranties”** means the representations, warranties and undertakings contained or referred to in Clause 9 and in Schedule 2; and
- “HK\$”** means Hong Kong dollars, the lawful currency of Hong Kong.

- 1.2 References in this Agreement to Clauses, Schedules and Appendices are to clauses in and schedules and appendices to this Agreement (unless the context otherwise requires). The Recitals of, Schedules and Appendices to this Agreement shall be deemed to form part of this Agreement.
- 1.3 Headings are inserted for convenience only and shall not affect the construction of this Agreement.
- 1.4 The expressions the **“Company”**, **“Marigold”**, **“Mr. Yam”** and the **“Subscriber”** shall, where the context permits, include their respective personal representatives and successors.
- 1.5 Unless the context requires otherwise, words and expressions defined in the Companies Ordinance shall bear the same respective meanings when used in this Agreement.
- 1.6 Any references, express or implied, to statutes or statutory provisions shall be construed as references to those statutes or provisions as respectively amended or re-enacted or as their application is modified from time to time by other provisions (whether before or after the date hereof) and shall include any statutes or provisions of which they are re-enactments (whether with or without modification) and any orders, regulations, instruments or other subordinate legislation under the relevant statute or statutory provision. References to Sections of consolidating legislation shall, wherever necessary or appropriate in the context, be construed as including references to the Sections of the previous legislation from which the consolidating legislation has been prepared.
- 1.7 References to **“persons”** shall include bodies corporate, unincorporated associations and partnerships (whether or not having separate legal personality).
- 1.8 References to writing shall include any methods of producing or reproducing words in a legible and non-transitory form.
- 1.9 In construing this Agreement:

- (a) the rule known as the ejusdem generis rule shall not apply and, accordingly, general words introduced by the word “other” shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things; and
 - (b) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.
- 1.10 All undertakings, obligations and other liabilities of expressed to be given by more than one person under this Agreement are joint and several and, if any such person ceases to be bound in any respect, that will not affect the liability of the other person.

2. SUBSCRIPTION

- 2.1 Subject to the satisfaction of the Conditions, or the waiver of all or any of the Conditions by the Subscriber pursuant to Clause 4.5, on Completion, the Company, relying on the Subscriber’s warranties under Clause 8, agrees to create, allot and issue to the Subscriber and the Subscriber, relying on the Warranties, agrees to subscribe for the Subscription Shares, each at the Subscription Price. The Subscription Shares shall rank pari passu in all respects with the existing Shares in issue as at the Completion Date and shall be allotted and issued by the Company free from all liens, charges, security interests, Encumbrances or other third party rights together with all rights attaching thereto on and after the date of their allotment including all dividends declared or payable or distributions made or proposed to be made at any time by reference to a record date falling on or after the date of allotment of the Subscription Shares.
- 2.2 The obligations of the Subscriber to subscribe for the Subscription Shares shall be performed by the Subscriber itself or its respective nominees, provided that the Subscriber shall give written notice to the Company of such nomination not less than 2 Business Days before the Completion Date.

2A. THE CONVERTIBLE BOND

Subject to the satisfaction of the Conditions, or the waiver of all or any of the Conditions by the Subscriber pursuant to Clause 4.5, on Completion, the Company, relying on the Subscriber’s warranties under Clause 8, agrees to issue to the Subscriber and the Subscriber, relying on the Warranties, agree to subscribe for the Convertible Bond in the principal amount of HK\$200,000,000, being the subscription money for the Convertible Bond.

3. CONSIDERATION

- 3.1 The Subscription Price payable to the Company on Completion by the Subscriber for the issue and allotment of the Subscription Shares shall be HK\$0.20 per Share. The aggregate Consideration payable by the Subscriber to the Company in respect of the

Subscription Shares shall be HK\$80,000,000, being the Subscription Price multiplied by the number of Subscription Shares.

- 3.2 The principal amount payable to the Company on Completion by the Company for the subscription of the Convertible Bond shall be HK\$200,000,000.
- 3.3 The Company and the Subscriber agree that on the date of this Agreement, the Subscriber shall deliver to the Company a cheque in the sum of HK\$2,000,000 drawn in favour of the Company as payment of the Deposit.

4. CONDITIONS

- 4.1 Completion of the Subscription under this Agreement shall be conditional upon the following conditions being fulfilled (or being waived by the Subscriber in accordance with Clause 4.5) at or before 5:00 p.m. (Hong Kong time) on the Long Stop Date:
- (a) the Shares remaining listed and traded on the Stock Exchange at all times from the date hereof to the Completion Date, save for any temporary suspension not exceeding 10 consecutive Trading Days (except for the suspension for the purpose of clearing the Announcement), or such longer period as the Subscriber may accept in writing, and no indication being received on or before the Completion Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of Completion or in connection with the terms of this Agreement;
 - (b) the authorized share capital of the Company being increased from 900,000,000 Shares to 5,000,000,000 Shares.
 - (c) listing of and permission to deal in all of the Subscription Shares being granted by the Listing Committee of the Stock Exchange (either unconditionally, or subject to conditions which are acceptable to the Subscriber in its opinions);
 - (d) listing of and permission to deal in all of the Conversion Shares being granted by the Listing Committee of the Stock Exchange (either unconditionally, or subject to conditions which are acceptable to the Subscriber in its opinions);
 - (e) passing of the Resolutions by the shareholders of the Company, other than shareholders abstaining from voting as may be so required by law, the Listing Rules or by the Stock Exchange and/or the SFC (as the case may be), at the Extraordinary General Meeting;
 - (f) the granting of any other waivers, consents, authorizations, clearances and approvals which are required from the shareholders of the Company, the Stock Exchange and/or the SFC, which the Subscriber reasonably considers are necessary for the Completion and the implementation of the other matters contemplated under this Agreement;

- (g) the Warranties remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date hereof and at Completion; and
- (h) the Company having complied fully with its obligations under Clause 9 in all material respects and likewise having performed in all material respects all of the covenants and agreements required to be performed by it under this Agreement on or prior to the Completion Date.

4.2 The Company undertakes to the Subscriber:

- (a) to use its reasonable endeavours to procure the fulfilment of the Conditions (insofar as relating to the Company) as soon as practicable and in any event at or before 5:00 p.m. (Hong Kong time) on the Long Stop Date;
- (b) without prejudice to the generality of Clause 4.2(a), to use its reasonable endeavours to post, and to do nothing to prevent or delay the posting of a Circular to its shareholders in accordance with the provisions of the Listing Rules containing a recommendation to such shareholders to vote in favour of the Resolutions contained in the Notice at the Extraordinary General Meeting of the members of the Company;
- (c) to procure that the said Resolutions are properly proposed and put to the said Extraordinary General Meeting and not withdrawn; and
- (d) to use its reasonable endeavours and as soon as practicable to convene the Extraordinary General Meeting to approve the Resolutions and not to adjourn the said Extraordinary General Meeting save as may be required by law, the Listing Rules, or pursuant to its Bye-laws.

4.3 The Subscriber undertakes to the Company to provide necessary information as may be reasonably required by the SFC or the Stock Exchange for inclusion in the Circular referred to in Clause 4.2(b) or for the granting of the waivers and consents required under Clause 4.1(f).

4.4 If at any time the Company becomes aware of a fact or circumstance that might prevent or materially delay any of the Conditions being satisfied, it shall promptly notify the Subscriber.

4.5 The Subscriber may in its absolute discretion at any time waive in writing any of the Conditions (or any part thereof) and such waiver may be made subject to such terms and conditions as are determined by the Subscriber. The Subscriber shall not be entitled to exercise such right of waiver in respect of Clauses 4.1(b), 4.1(c), 4.1(d), 4.1(e) and 4.1(f) if as a result of such waiver the Company would be in breach of the Listing Rules, or the rules or regulations of any relevant governmental, statutory or regulatory authority or agency, or any other person or body, in Hong Kong, the PRC or Bermuda with respect to the matters contemplated by Clauses 4.1(b), 4.1(c), 4.1(d), 4.1(e) and 4.1(f).

- 4.6 Any waiver by the Subscriber under this Clause 4 is without prejudice to any other rights which the Subscriber may have under this Agreement.
- 4.7 The Company shall give notice to the Subscriber that the Conditions set out in Clause 4.1 have been satisfied as soon as becoming aware of that fact.
- 4.8 The Subscriber shall be entitled to terminate this Agreement forthwith by notice to the Company if:
- (a) the Board withdraws its recommendation to its shareholders to vote in favour of the Resolutions; or
 - (b) the Board proposes or recommends any alternative proposal in relation to the Group,
- and upon such notice being given the provision of Clause 4.8 shall apply as if the Agreement had terminated in consequence of non-fulfilment of any of the Conditions.
- 4.9 In the event any of the Conditions is not fulfilled (or being waived by the Subscriber pursuant to Clause 4.5), on or before 5:00 p.m. on the Long Stop Date, the obligations of the Parties under this Agreement shall forthwith cease to be of any effect, none of the Parties shall be bound to carry out the remaining terms of this Agreement, the Company shall refund the Deposit to the Subscriber in full (without interest) and no Party shall have any right to damages or reimbursement for any cost and expenses that it may have incurred in connection with or arising out of this Agreement or the failure to complete the Subscription, except for this Clause 4 and Clause 1 (Definitions and Interpretation), Clause 12 (Restrictions on Announcements), Clause 13 (General), Clause 14 (Notices) and Clause 15 (Governing Law and Submission to Jurisdiction) which shall continue to remain in force or any claims arising out of any antecedent breach of this Agreement or any accrued rights or remedies of any Party arising prior to such date.

5. COMPLETION

- 5.1 Subject to fulfilment (or, where appropriate, waiver by the Subscriber pursuant to Clause 4.5) of the Conditions, Completion shall take place on Completion Date at the office of the Subscriber's Solicitors when all (but not some only) of the events described in this Clause 5 shall occur.
- 5.2 On or before Completion, the Company shall:
- (a) deliver or cause to be delivered to the Subscriber or to the order of the Subscriber:
 - (i) a certified copy of the board resolutions of the Company approving, amongst others,
 - (1) the execution and completion of this Agreement;

- (2) the allotment and issue of the Subscription Shares in accordance with this Agreement and the entry of the Subscriber (or its nominees) in the register of members in respect of such Shares;
 - (3) the issue of the Convertible Bond and the Certificate in accordance with this Agreement;
 - (4) the resignation of all the existing directors of the Company with effect from the Completion Date;
 - (5) the appointment of up to 4 persons as the Subscriber shall nominate on or before 7 days prior to the Completion Date as directors of the Company with effect from the Completion Date; and
 - (6) any necessary actions to be undertaken by the Directors for the purpose of giving effect to the above Board resolutions;
- (ii) a certificate stating that (1) the Conditions have been satisfied; and (2) that each of the Warranties remains true, accurate and not misleading;
 - (iii) such documents as may be required to give a good title to the Subscription Shares and to enable the Subscriber and/or its nominees to become the registered holders of them;
 - (iv) undated resignation letter in the approved form from each of the existing directors of the Company;
 - (v) such other documents as the Subscriber may reasonably request in order to give them the full benefit of this Agreement in respect of the Subscription Shares and the Convertible Bond;
 - (vi) the Certificate duly executed and issued in favour of the Subscriber;
- (b) allot and issue the Subscription Shares to the Subscriber (or its nominee(s)) and shall promptly cause to be registered without registration fee the Subscriber (or its nominee(s)) onto the register of members of the Company, and either: (i) deliver to the Subscriber a definitive share certificate in respect of the Subscription Shares in the name of the Subscriber or such other person as it may direct; or (ii) deposit the same in CCASS as it shall direct, in each case as it may at its option require by giving not less than two Business Days prior notice in writing to the Company; and
 - (c) deliver or cause to be delivered to the Subscriber a copy of the letter from the Stock Exchange confirming that the Listing Committee has granted listing of and permission to deal in the Subscription Shares and the Conversion Shares.

5.3 At Completion, the Subscriber shall:

- (a) deliver or cause to be delivered to the Company application letter in respect of the Subscription Shares to the Company;
 - (b) deliver or cause to be delivered to the Company a certified copy of the resolution of the board of directors of the Subscriber and/or its nominee, approving, amongst others, the execution of this Agreement and the application for the Subscription Shares;
 - (c) pay or cause to be paid to the Company the Consideration (deducting the Deposit already paid) in satisfaction of the consideration of the Subscription Shares and the Convertible Bond to the designated account notified by the Company 2 Business Days prior to the Completion Date; and
 - (d) deliver or cause to be delivered to the Company letters of consent to act as directors by up to 4 persons as the Subscriber shall nominate.
- 5.4 The Subscriber shall not be obliged to complete this Agreement or perform any obligations hereunder unless the Company complies fully with the requirements of Clause 5.2. If the Company fails to comply with the obligations in Clause 5.2, then without prejudice to any other remedies which may be available to the Company on the Completion Date, the Subscriber may:
- (a) defer Completion to a date falling not more than 28 days after the original Completion Date (and the provisions of this Clause 5 shall still apply to the deferred Completion) provided that time shall be of the essence as regards the deferred Completion and if Completion is not effected on such deferred date, the Subscriber may rescind this Agreement and claim damages from the Company and the Company shall immediately return the Deposit in full to the Subscriber; or
 - (b) proceed to Completion so far as practicable (but without prejudice to the Subscriber's rights hereunder) insofar as the Company shall not have complied with its obligations hereunder; or
 - (c) treat this Agreement as terminated for breach by the Company of a condition of this Agreement and the Company shall immediately return the Deposit (without interest) in full to the Subscriber.
- 5.5 **Simultaneous Completion:** The Company and the Subscriber shall not be obliged to complete the subscription of any of the Subscription Shares and the Convertible Bond unless the subscription of all the Subscription Shares and the Convertible Bond are completed simultaneously.
- 5.6 Without prejudice to any other remedies available to the Subscriber, if, following satisfaction of the Conditions, the Company fails to complete this Agreement on the Completion Date (other than as a result of the sole default of the Subscriber), the Subscriber shall have the right to seek specific performance of this Agreement.
- 6. OFFER**

- 6.1 The Subscriber undertakes to the Company, following and subject to Completion, to comply with its obligations under the Takeovers Code; and in particular to make the Share Offer to holders of the Offer Shares, the Call Option Offer for the transfer of all Call Options and the Option Offer for the cancellation of all issued Options as referred to below in this Clause. Following Completion and in accordance with the Takeovers Code, the Subscriber and the Company shall use their respective reasonable endeavours to procure the despatch by such date as is required under the Takeovers Code (or such later date as may be approved by the SFC and agreed in writing between the Parties) to all holders of the Offer Shares on the register of members of the Company and to all holders of the Call Options and the Options as at the latest practicable date stated in the Offer Circular, the Offer Circular containing:
- (a) an unconditional general offer by the Subscriber (and parties acting in concert with it) to acquire the Offer Shares at an offer price of HK\$1.30 per Offer Share, in accordance with the Takeovers Code and providing that the Offer Shares assented to the Share Offer shall be free and clear of all liens, charges and encumbrances whatsoever and have all rights as at the Completion Date or thereafter attaching thereto (including the right to all dividends and distributions declared, paid or made on or after the Completion Date), and providing further that the Subscriber shall pay stamp duty arising on the purchase of the Offer Shares and accepting holders of Offer Shares shall pay stamp duty arising on the sale of the Offer Shares assented by them pursuant to the Share Offer;
 - (b) an unconditional general offer by the Subscriber (and parties acting in concert with it) for the transfer of all Call Options on such terms as are required by the Takeovers Code and/or in accordance with such directions as the SFC may give, provided that the offer price for such Call Options shall adopt the “see-through price” for the underlying Shares the subject of such Call Options;
 - (c) an unconditional general offer by the Subscriber (and parties acting in concert with it) for the cancellation of all issued Options on such terms as are required by the Takeovers Code and/or in accordance with such directions as the SFC may give, provided that the offer price for such Options shall adopt the “see-through price” for the underlying Shares the subject of such Options;
 - (d) a recommendation by an independent committee of the Board of the Company (if one needs to be established) and by the Independent Adviser in relation to the Share Offer, the Call Option Offer and the Option Offer; and
 - (e) such other information as may be required by the Takeovers Code or as may be required by the SFC or the Stock Exchange.
- 6.2 The Subscriber shall further procure that the appropriate forms of acceptance and transfer shall be despatched together with each copy of the Offer Circular.
- 6.3 Each of the Parties shall use its respective reasonable efforts to secure, if necessary, the consent of the SFC and the Stock Exchange to the posting of the Offer Circular containing the Share Offer, the Call Option Offer and the Option Offer after

Completion and in accordance with the requirements under the Listing Rules and the Takeovers Code.

- 6.4 The Parties hereby undertake to and with each other that they will each use all reasonable endeavours to supply such information as may be reasonably necessary to be included in the documents to be despatched or the announcements to be issued pursuant to the Takeovers Code in connection with the Share Offer, the Call Option Offer and the Option Offer, take respective responsibility for such information and authorize the publication, despatch and/or release of such documents and announcements.

7. WARRANTIES

- 7.1 The Company represents, warrants and undertakes to the Subscriber that each Warranty is true, accurate and not misleading.
- 7.2 The Warranties shall be qualified by (i) such disclosures as shall be made by the Company prior to the Completion Date in its Accounts, Management Accounts, annual reports, interim reports, announcements, circulars and/or documents published in the press or (as the case may be) despatched to its respective shareholders, and disclosures prior to the Completion Date regarding the Company pursuant to the Listing Rules or the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and (ii) all information contained in or can be reasonably deduced from documents (in any format) disclosed by the Company to the Subscriber during due diligence. No claim will lie against the Company in respect of any matter fully and fairly disclosed as referred to above.
- 7.3 The Company undertakes to promptly notify the Subscriber of any matter occurring prior to Completion which constitutes a breach of or is inconsistent with any of the Warranties or which renders any of the Warranties inaccurate or misleading (or which would constitute a breach of or be inconsistent with any of the Warranties, or render any of them inaccurate or misleading, if the Warranties were given at the time of such occurrence) immediately upon becoming aware of the same.
- 7.4 The Company acknowledges that the Subscriber is entering into this Agreement in reliance on the Warranties and other representations made by the Company in this Agreement and none of the Warranties shall be limited or restricted by reference to or inference from the terms of any other Warranties or any other term of this Agreement.
- 7.5 Each of the Warranties shall be separate and independent to the intent that the Subscriber shall have a separate claim and right of action in respect of any breach thereof and save as expressly provided herein shall not be limited by reference to anything else in this Agreement.
- 7.6 The Company shall procure that the Warranties are true and accurate as at the date of this Agreement and up to and including the Completion Date and, for this purpose, the Warranties shall be deemed to be repeated at Completion and any express or implied reference therein to the date of this Agreement shall be replaced by a reference to the date of Completion.

- 7.7 The Warranties shall not in any respect be affected or extinguished by Completion.
- 7.8 The Subscriber may rescind this Agreement by notice in writing to the Company if:
- (a) it is apparent on or before Completion that the Company is in material breach of any of the relevant Warranties or any other term of this Agreement; or
 - (b) any obligation of the Company hereunder has not been duly and promptly fulfilled or performed.
- 7.9 No claim by the Subscriber shall be prejudiced in consequence of any information relating to the Group which may have at any time come to the knowledge of the Subscriber or any investigation made by it.
- 7.10 The Subscriber shall be entitled to claim both before and after Completion that any of the Warranties is or was untrue or misleading or has or had been breached even if the Subscriber discovered or could have discovered on or before Completion that the Warranty in question was untrue or misleading as aforesaid or had been breached as aforesaid and Completion shall not in any way constitute a waiver of any of the Subscriber's rights.
- 7.11 The Company shall not, and shall use its reasonable endeavours to procure that no Group Company shall, do or allow or procure any act or omission on or before Completion which would constitute a breach of any of the Warranties if they were given at Completion or which would make any of the Warranties inaccurate or misleading if they were so given.
- 7.12 The Company hereby undertakes to indemnify and keep indemnified the Subscriber from and against all and any losses or damages actually suffered, and all and any interest, costs or expenses whatsoever actually incurred, by the Subscriber as a result of:
- (a) the failure of any of the Warranties to be true and correct as of the date of this Agreement or as of Completion; or
 - (b) any breach of any of the agreements, undertakings and covenants made by the Company in this Agreement;

including but not limited to the greater of: (i) any diminution in the value of the Subscription Shares actually subscribed by the Subscriber pursuant to this Agreement; and (ii) an amount equal to any liability or any increased or substituted liability or any loss suffered or incurred by the Subscriber which would not have subsisted or been suffered if there had been no breach of the Warranty in question; and any costs, expenses or other liabilities which the Subscriber may actually incur either before or after the commencement of any action in connection with: (x) any legal proceedings in which the Subscriber claims that any of the Warranties, agreements, undertakings and covenants has been breached or is untrue, inaccurate, misleading or not performed and

in which final judgment is given for the Subscriber; or (y) the enforcement of any final settlement of, or final judgment in respect of such claim.

- 7.13 The rights and remedies of the Subscriber in respect of any breach of the Warranties shall not be affected by Completion, by any investigation made by or on behalf of the Subscriber into the affairs of the Company or any of its Subsidiaries, by the giving of any time or other indulgence by the Subscriber to any person, by the Subscriber rescinding, or failing to rescind, this Agreement, and any specific waiver or release by the Subscriber in relation to the Warranties shall not prejudice or affect any remaining rights or remedies of the Subscriber.
- 7.14 If any sum payable by the Company under this Clause 7 shall be subject to tax (whether by way of deduction or withholding or direct assessment of the person entitled thereto) such payment shall be increased by such an amount as shall ensure that after deduction, withholding or payment of such tax, the recipient shall have received a net amount equal to the payment otherwise required hereby to be made.

8. REPRESENTATION AND WARRANTIES BY THE SUBSCRIBER

- 8.1 The Subscriber represents and warrants to the Company at any time subsequent to the execution of this Agreement and prior to Completion that:
- (a) it has full power and authority under its constitutional documents to enter into this Agreement and this Agreement has been duly authorized and executed on its behalf, is legal, valid and binding obligation on it, and is enforceable against it in accordance with its terms;
 - (b) it is duly incorporated and is validly existing under the laws of its place of incorporation;
 - (c) it is independent of and is not connected with any of the directors, chief executive or substantial shareholders (as interpreted under the Listing Rules) of the Company or any of its Subsidiaries or any of their respective associates; and
 - (d) it (or, as the case may be, its nominee) shall accept the Subscription Shares that are issued to it subject to the Bye-laws.

9. UNDERTAKINGS AND INDEMNITIES GIVEN BY THE COMPANY

- 9.1 The Company hereby undertakes with the Subscriber that at any time subsequent to the execution of this Agreement and prior to Completion that except with the prior written consent of the Subscriber or save as contemplated in or required by this Agreement:
- (a) the business of the Company will be carried on in the ordinary and normal course and that no amendment will be made to the memorandum and articles of association of any member of the Company;

- (b) no alteration will be made to the authorized and issued share capital of the Company save as that contemplated in this Agreement and no options or rights shall be granted by the Company in respect of the same;
- (c) the Company will not enter into any service agreement with any director or employee which provides for an annual remuneration package exceeding HK\$300,000 and no amendment will be made to any such existing agreement;
- (d) other than in the ordinary course of business of the Group, no disposal of the business or any property or assets of the Company or any of its Subsidiaries in an amount which is in excess of HK\$500,000 will be made to any person or third party;
- (e) other than in the ordinary course of business of the Company, and save for any expenses incurred by the Company in connection with this Agreement and related transactions and any transaction contemplated under Clause 9.1(h), no material liability (including contingent liability) involving a value in excess of HK\$500,000 will be assumed or created by the Company;
- (f) no proposal for the winding up or liquidation of the Company will be made;
- (g) no acquisition of any interest in any company by the Company will be made by it;
- (h) no guarantee, indemnity, surety, mortgage, lien (other than a lien arising by operation of law), charge, encumbrance or other security interest of any nature whatsoever in respect of all or any part of the undertaking, property or assets of the Company created or given to secure the liabilities or obligations of any person other than any member of the Group save and except the rental guarantee to be given by the Company in the maximum amount of HK\$1,737,619.2 for the period commencing from 23 January 2008 and expiring on 22 January 2009;
- (i) other than in the ordinary course of business of the Company, no borrowings or other indebtedness or obligation in the nature of borrowings (including, without limitation, obligations pursuant to any debenture, bond, note, loan, stock or other security of the Company and obligations pursuant to finance leases) in an amount in excess of HK\$500,000 in respect of each such borrowing or other indebtedness or obligation will be made save and except borrowings or other indebtedness or obligations owed to any member of the Group;
- (j) other than advances in the ordinary course of business of the Company, no advance or loan of money by the Company (save and except any advance or loan to any member of the Group) in an amount in excess of HK\$500,000 in aggregate will be made;
- (k) no litigation involving the Company will be settled or abandoned by the Company, and no admission of liability will be made by or on behalf of the Company in each case in respect of any claim involving an amount in aggregate

in excess of HK\$100,000, save and except for litigation or claims relating to debt collection in the ordinary course of business of the Company; and

- (1) other than in the ordinary course of business and save for any expenses incurred by the Company in connection with this Agreement and related transactions, no agreement or commitment which is not capable of being terminated at law without compensation at any time with three months' notice or less or which involves or may involve a total annual expenditure in excess of HK\$500,000 will be made by the Company.

9.2 The Company hereby covenants and agrees with the Subscriber that they will fully and effectually indemnify and at all times keep fully and effectually indemnified the Subscriber from and against any losses, damages and liabilities suffered or incurred by the Subscriber and any reasonable costs (including all legal costs), expenses or other liabilities which the Subscriber may reasonably and properly incur in connection with any legal proceedings against the Company or the enforcement of any settlement or judgment.

10. LIMITATION OF THE WARRANTIES

10.1 Survival of the Warranties: The Warranties shall survive the Completion and remain in full force and effect until the expiry of the periods set out in this Clause 10.1 as follows:

- (a) no claims may be made in respect of any breach of the Warranties after the end of 12 months after the Completion Date;
- (b) if a claim or notice is given with respect to a breach of the Warranties prior to the applicable expiration date, the representation or warranty relating to such breach of the Warranties shall remain in full force and effect until the later of:
 - (i) the expiry of the periods set out in this Clause 10.1; and
 - (ii) the expiry of the period of 6 months starting on the date of notification of the claim, unless legal proceedings in respect of the claim has been instituted prior to the expiry of such 6 months period against the Company.

10.2 Limitation of liability: The amount of the liability of the Company in respect of any breach of the Warranties shall be limited as follows:

- (a) the maximum liability of the Company shall not exceed the Consideration;
- (b) no liability shall attach to the Company unless and until the aggregate amount of the liabilities of the Company shall exceed the sum of HK\$1,000,000 but if the liabilities exceed that sum the Company shall be liable for all such claims and not the excess only;
- (c) no claims may be made in respect of any matters which have been reasonably and fairly disclosed, qualified or withheld in accordance with Clause 7.2.

- 10.3 Exclusion of liability: The Company shall not be liable for any breach of the Warranties:
- (a) to the extent that provision or reserve in respect thereof has been made in the Accounts, or the Management Accounts;
 - (b) which arises as a result of legislation which comes into force after the date hereof and which is retrospective in effect;
 - (c) which, being a liability in respect of taxation, arises by reason of an increase in the rates of taxation since the date of this Agreement or of an increase in the rates of taxation made after the date hereof with retrospective effect or for which any member of the Group is primarily liable; or
 - (d) which arises as a result of a change in accounting policies after Completion.

11. BOARD OF DIRECTORS OF THE COMPANY

- 11.1 In addition to the appointment of up to 4 directors to the Board as specified in Clause 5.2(a), the Subscriber shall also be entitled (by notice in writing to the Company) jointly to appoint up to 4 persons to any committees of the Board (the "Representative Directors" and each one of them the "Representative Director") and, by the same means, to remove and replace any such director and Representative Director provided that any such director and Representative Director shall have complied with all requirements of the Listing Rules relevant to his position as director of the Company and/or a committee member of the Board and provided further that in the case of removal and replacement the Subscriber shall be jointly responsible for procuring the written resignation stating that there is no claim against the Company of the removed or replaced director or Representative Director pursuant to the Bye-laws.
- 11.2 If the Subscriber so requests, the Representative Director shall also be appointed to the board of any other member of the Group and by the same means removed and replaced and the Company shall procure that such appointment or removal is made provided that in the case of removal or replacement the Subscriber shall be jointly responsible for procuring the written resignation stating that there is no claim against the Company of the removed Representative Director.

12. RESTRICTIONS ON ANNOUNCEMENTS

- 12.1 None of the Parties shall, without the prior written consent of the other Parties, disclose the terms of, or any matters referred to in, this Agreement except to its professional advisers and senior management whose province it is to know such terms or matters and to those persons to whom it may be necessary to disclose such terms or matters for the purpose of or in connection with this Agreement and subject as required by law or by the Stock Exchange, the SFC or any other relevant authorities in Hong Kong or elsewhere or by virtue of the Listing Rules, the Takeovers Code or of any other regulatory requirements.

- 12.2 No Party shall, prior to Completion and thereafter, make any public announcement in relation to the transactions the terms of which are set out in this Agreement or the transactions or arrangements hereby contemplated or herein referred to or any matter ancillary hereto or thereto without the respective prior consent of the other Parties (which consent shall not be unreasonably withheld or delayed).
- 12.3 This Clause shall not apply to any announcement required to be made pursuant to the Listing Rules or the Takeovers Code as to the contents of which the Party making the same shall have obtained the other Parties' consent (which consent shall not be unreasonably withheld or delayed).

13. GENERAL

- 13.1 This Agreement shall be binding upon and enure for the benefit of the estates, personal representatives or successors of the Parties.
- 13.2 This Agreement (together with any documents referred to herein) constitutes the whole agreement between the Parties and supersedes any previous agreements or arrangements between them relating to the subject matter hereof. It is expressly declared that no variations hereof shall be effective unless made in writing signed by duly authorized representatives of the Parties.
- 13.3 All of the provisions of this Agreement shall remain in full force and effect notwithstanding Completion (except insofar as they set out obligations which have been fully performed by the Parties at Completion).
- 13.4 If any provision or part of a provision of this Agreement shall be, or be found by any authority or court of competent jurisdiction to be, invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions or parts of such provisions of this Agreement, all of which shall remain in full force and effect.
- 13.5 Any right of rescission or termination of this Agreement conferred upon any Party hereby shall be in addition to and without prejudice to all other rights and remedies available to it (and, without prejudice to the generality of the foregoing, shall not extinguish any right to damages to which the relevant Party may be entitled in respect of the breach of this Agreement) and no exercise or failure to exercise such a right of rescission shall constitute a waiver by that Party of any such other right or remedy.
- 13.6 Each Party may release or compromise any liability of the other Party hereunder or grant to the other Party any time or other indulgence without affecting any liability of the other Party hereunder.
- 13.7 No failure of any Party to exercise, and no delay or forbearance in exercising, any right or remedy in respect of any provision of this Agreement shall operate as a waiver of such right or remedy.
- 13.8 This Agreement may be executed in one or more counterparts, and by the Parties on separate counterparts, but shall not be effective until each Party has executed at least

one counterpart and each such counterpart shall constitute an original of this Agreement but all the counterparts shall together constitute one and the same instrument.

14. NOTICES

Any notice required to be given by any Party to the other Parties shall be deemed validly served by hand delivery or by prepaid registered letter sent through the post (airmail if to an overseas address) or by facsimile transmission to the number given herein or such other address as may from time to time be notified for this purpose and any notice served by hand shall be deemed to have been served on delivery, any notice served by facsimile transmission shall be deemed to have been served when sent and any notice served by prepaid registered letter shall be deemed to have been served 48 hours (72 hours in the case of a letter sent by airmail to an address in another country) after the time at which it was posted and in proving service it shall be sufficient (in the case of service by hand and prepaid registered letter) to prove that the notice was properly addressed and delivered or posted, as the case may be, and in the case of service by facsimile transmission to prove that the transmission was confirmed as sent by the originating machine.

Each notice, demand or other communication given or made under this Agreement shall be in writing and delivered or sent to the relevant Party at its address or fax number set out below (or such other address or fax number as the addressee has by five days' prior written notice specified to the other Parties):

To the Company:

Address: Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Attention: Mr. Alvin Leung
Fax Number: (852) 2511-9807

To the Subscriber:

Address: 22/F, World Wide House, Central Hong Kong
Attention: Mr. Kelvin Kwan
Fax Number: (852) 2501-0028

15. GOVERNING LAW AND SUBMISSION TO JURISDICTION

This Agreement shall be governed by and construed in accordance with the laws of Hong Kong and the Parties hereby irrevocably submit to the non-exclusive jurisdiction of the Hong Kong courts for the purpose of enforcing any claim arising hereunder.

**SCHEDULE 1
DETAILS OF THE COMPANY**

1. **Company number:** EC-20366
2. **Address of registered office:** Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
3. **Principal Hong Kong Office:** Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
4. **Registrar and Transfer Office:** Union Registrars Limited
Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
5. **Date and place of incorporation:** 6 January 1995, Bermuda
6. **Authorized share capital:** HK\$90,000,000 divided into 900,000,000 shares of HK\$0.10 each
7. **Issued share capital:** 304,478,584 ordinary shares of HK\$0.10
8. **Directors:**

Managing Director:
Leung Heung Ying, Alvin

Executive Directors:
Chung Oi Ling, Stella
Lo Chi Ho, William

Independent Non-executive Directors:
Lo Ming Chi, Charles
Orr Joseph Wai Shing
Wong Ngao San, Marcus
9. **Financial Year End:** 31 March
10. **Company Secretary:** Choy Siu Ching
11. **Auditors:** Shinewing (HK) CPA Limited
12. **Others:** Options Subscription Agreement dated 24 August 2007 has been made between Mr. Wong Man Hin, Charles and the Company in respect of the granting of options to Mr. Wong Man Hin, Charles to subscribe for 60,895,000 Shares in the capital of the Company at an exercise share price of HK\$1.165 per Share

SCHEDULE 2

WARRANTIES

In this Schedule unless the context otherwise indicates each of the Warranties shall be deemed to be repeated mutatis mutandis in relation to the Company.

1. The Accounts

- 1.1 The Accounts have been prepared in accordance with the requirements of all relevant laws and applicable statements of standard accounting practice and with good and generally accepted accountancy principles and practice and are complete and accurate in all respects and show a true and fair view of the state of affairs of the Company and of its results and profits for the financial period ending on the Accounts Date and:-
 - 1.1.1 depreciation of the fixed assets of the Company has been made at a rate sufficient to write down the value of such assets to nil not later than the end of their useful working lives;
 - 1.1.2 slow moving stock has been written down appropriately and unrecoverable work in progress and redundant and obsolete stock has been wholly written off and the value attributed to the remaining stock did not exceed the lower of cost or net realisable value at the Accounts Date on a going concern basis;
 - 1.1.3 the Company's stock in trade and work in progress has been valued on a basis in all material respects consistent with that adopted for the purpose of the Company's audited accounts in respect of the beginning and end of each of the last three preceding accounting periods.
- 1.2 The Accounts disclose and make full provision or reserve for all actual liabilities.
- 1.3 The Accounts disclose and make full provision or reserve for or note all contingent, unquantified or disputed liabilities, capital or burdensome commitments and deferred or provisional Tax.
- 1.4 Full provision or reserve has been made in the Accounts for all Tax including deferred or provisional taxation in respect of all accounting periods ended on or before the Accounts Date for which the Company was then or might at any time thereafter become or have become liable including (without limitation) Tax:-
 - 1.4.1 on or in respect of or by reference to the profits, gains or income for any period ended on or before the Accounts Date; or
 - 1.4.2 in respect of any event before the Accounts Date including distributions made and charges on profits, income or assets on or before such date.
- 1.5 The bases and policies of accounting of the Company (including depreciation) adopted for the purpose of preparing the Accounts are the same as those adopted for the purpose of preparing the audited accounts of the Company for each of the last three preceding

accounting periods.

- 1.6 The Company has not factored any of its debts or entered into any financing arrangement of a type which would not require to be shown or reflected in the Accounts.
- 1.7 Except as disclosed in the Accounts there are at the date hereof:-
 - 1.7.1 no loans, guarantees, material undertakings, material commitments on capital account or unusual liabilities, actual or contingent, made, given, entered into or incurred by or on behalf of the Company;
 - 1.7.2 no mortgages, charges, liens or other similar encumbrances on the assets of the Company or any part thereof; and
 - 1.7.3 no outstanding loan capital or other loans to the Company.
- 1.8 None of the amounts secured by the mortgages, charges, liens or similar encumbrances disclosed in the Accounts has been increased beyond the amounts shown in the Accounts and no mortgage, charge, lien or similar encumbrance has been created after the Accounts Date.

2. Management Accounts

The Management Accounts have been prepared in accordance with the accounting policies of the Company and on a consistent basis with the monthly management accounts of the Company and show a fair view of the assets and liabilities and profits and losses of the Company up to 30 September 2007.

3. Tax, Records and Returns

- 3.1 No event, act, transaction or omission has occurred or shall occur between the Management Accounts Date and Completion which could give rise to a claim.
- 3.2 All returns, computations, notices and information made or provided or required to be made or provided by the Company for any Tax purpose have been made or given within the requisite periods and on a proper basis and when made were true and accurate in all material respects and are up to date and none of them is or is likely to be the subject of any dispute with any Tax authority.
- 3.3 In respect of any such consent or clearance as referred to in paragraph 3.3, the consent or clearance was validly obtained before the transaction was effected and the transaction was effected in accordance with the terms of and so as to satisfy any conditions attached to such consent or clearance and at a time when and in circumstances in which such consent or clearance was valid and effective.
- 3.4 The Company has paid all Tax, including provisional taxation, which it has become liable to pay on or before the date hereof.

- 3.5 Full details of all unrelieved Tax losses, management expenses, or charges on income available to the Company are set out in the Accounts.
- 3.6 During the period between the Management Accounts Date and the Completion Date there has been and will be no major change in the nature or conduct of a trade or business of the Company nor has the scale of the activities in such a trade or business become small or negligible.
- 3.7 The Company has made all deductions and withholdings in respect, or on account, of any Tax from any payments made by it which it is obliged or entitled to make and has duly accounted in full to the appropriate authority for all amounts so deducted or withheld.
- 3.8 The Company has not appropriated any trading stock to fixed assets or vice versa, all assets are correctly shown in the Accounts as trading stock/current assets or fixed assets and any property under development is held and shown in the Accounts as fixed assets.
- 3.9 No scheme has been effected and no arrangements have been made whereby the value of any asset of the Company has been materially reduced and on a disposal thereof liability to Tax might arise.
- 3.10 All documents to which the Company is a party or which form part of the Company's title to any asset or in the enforcement of which the Company is or may be interested which are subject to stamp or similar duty have been duly stamped and, where appropriate or necessary, adjudicated.
- 3.11 The Company has not ceased to be associated (within the meaning of Section 45(2) of the Stamp Duty Ordinance) with another company or body corporate in circumstances which might give rise to a liability to stamp duty pursuant to Section 45(5A) of the Stamp Duty Ordinance where such stamp duty has not been paid in full prior to the date hereof and the Company will not prior to or at Completion, whether by virtue of this Agreement or otherwise, cease to be associated (within the meaning of Section 45(2) of the Stamp Duty Ordinance) with another company or body corporate in circumstances which might give rise to a liability to stamp duty pursuant to Section 45(5A) of the Stamp Duty Ordinance. The Company has not entered into a transaction within the period of two years prior to the date hereof in relation to which relief has been claimed pursuant to Section 45 of the Stamp Duty Ordinance.
- 3.12 The books and records of the Company accurately present and reflect in accordance with generally accepted accounting principles and standards within the Company's jurisdiction of incorporation all transactions entered into by the Company or to which it has been a party.
- 3.13 The Company has complied in full with all its reporting obligations to the Inland Revenue Department or other relevant Tax authority in connection with benefits provided for any director or employee.

4. Corporate Matters

- 4.1 The Company has been duly incorporated and is validly existing and no order has been made or petition presented or resolution passed for the winding up of the Company and no distress, execution or other process has been levied on any of its assets. The Company is not insolvent nor unable to pay its debts for the purposes of Section 178 of the Companies Ordinance, no receiver or receiver and manager has been appointed by any person of its business or assets or any part thereof, no power to make any such appointment has arisen, the Company has taken no steps to enter into liquidation and there are no grounds on which a petition or application could be based for the winding up or appointment of a receiver of the Company.
- 4.2 The Company has never reduced, repaid, redeemed or purchased any of its share capital in contrary to its Bye-laws or the laws of Bermuda.
- 4.3 There are no agreements outstanding which call for the right to require the creation of any mortgage, charge, pledge, lien or other security or encumbrance over the Subscription Shares.
- 4.4 The copies of the Bye-laws are accurate and complete in all respects and have attached to them copies of all resolutions and agreements which are required to be so attached. The Company has complied with its Bye-laws in all respects, has full power, authority and legal right to own its assets and carry on its business and none of the activities, agreements, commitments or rights of the Company is ultra vires or unauthorised.
- 4.5 The Register of Members and all other statutory books of the Company are up to date and contain true full and accurate records of all matters required to be dealt with therein and all legal requirements relating to the issue of shares and other securities by the Company have been complied with.
- 4.6 The Company has not been a party to or involved in any share for share exchange nor any scheme of reorganisation, reconstruction or amalgamation such as are mentioned in Sections 166 or 167 of the Companies Ordinance or are of an equivalent nature or type.

5. Trading and General Commercial Matters

- 5.1 The Company is not a party to:
 - 5.1.1 any unusual or onerous contract nor any contract which cannot be terminated without penalty or other compensation on less than three months' notice or less;
 - 5.1.2 any contract restricting the Company's freedom of action in relation to its normal business activities or materially and adversely affecting its business or assets;
 - 5.1.3 any contract not made in the ordinary course of business;
 - 5.1.4 any contract for the purchase or use by the Company of materials, supplies

or equipment which is in excess of the requirements of the Company for its normal operating purposes or requires expenditure in excess of HK\$1,000,000;

- 5.1.5 any agency, distribution, marketing, purchasing, franchising or licensing agreement;
 - 5.1.6 any consulting or management agreement;
 - 5.1.7 any joint venture, agency, shareholders' or partnership arrangement or agreement or similar arrangement or agreement or any agreement which purports to regulate, control or otherwise affect the voting or disposition of its shares;
 - 5.1.8 any contract for services in excess of HK\$300,000 (other than normal office services).
- 5.2 All contracts for the supply of goods or services requiring payments in excess of HK\$300,000 have been entered into on the Company's standard terms and conditions of sale.
- 5.3 There are no contracts or obligations, agreements, arrangements or concerted practices to which the Company is a party or by which the Company is bound, and there are no practices in which the Company is engaged, which are void, illegal, unenforceable, registrable or notifiable under or which contravene any laws or regulations.
- 5.4 With respect to each contract, commitment, arrangement, understanding, tender and bid to which the Company is party or by which it is bound, there are no grounds for rescission, avoidance, repudiation or termination and the Company has not received any notice of termination.
- 5.5 All amounts received by the Company have been deposited with one or other of such banks, deposit taking companies or other similar institutions and appear in the appropriate accounting books.
- 5.6 There are no loans, guarantees, pledges, mortgages, charges, liens, debentures, encumbrances or unusual liabilities given, made or incurred by or on behalf of the Company (and, in particular but without limiting the foregoing, no loans have been made by or on behalf of the Company to any directors or shareholders of the Company) and no person has given any guarantee of or security for any overdraft, loan or loan facility granted to the Company.
- 5.7 The execution, delivery and performance of this Agreement will not result in the breach, cancellation or termination of any of the terms or conditions of or constitute a default under any agreement, commitment or other instrument to which the Company is a party or by which the Company or its property or assets may be bound or affected or result in the acceleration of any obligation under any loan agreement or violate any law or any rule or regulation of any administrative agency or governmental body or any order, writ, injunction or decree of any court, administrative agency or governmental body

affecting the Company.

- 5.8 There are no agreements concerning the Company which can be terminated or which have been terminated or under which the rights of any person are liable to be materially adversely affected as a result of a change in control of the Company or in the composition of the Board of the Company.
- 5.9 The Company has no liabilities except liabilities arising in the ordinary course of business under contracts for service, purchase orders, supply contracts or sale contracts nor does it have any other liabilities direct or indirect, absolute or contingent, not required by generally accepted accounting principles to be referred to in the Accounts and the Company is not owed any moneys other than trade debts and cash at bank.
- 5.10 The Company has no material capital commitments.
- 5.11 The Company has at all times carried on its business in compliance with all applicable laws and regulations. Neither the Company, nor any of its directors, officers, employees or agents in relation to the Company, has committed any criminal offence or any tort or any breach of the requirements or conditions of any statute, treaty, regulation, bye-law or other obligation relating to the Company or the carrying on of its business and without prejudice to the generality of the foregoing the Company has obtained all registrations, licences and consents necessary to own its assets and for the carrying on of its business, and all such registrations, licences and consents are valid and subsisting and there is no reason why any of them should be suspended, cancelled or revoked (whether as a result of the allotment and issuance of the Subscription Shares pursuant to this Agreement or otherwise).
- 5.12 The Company has given no powers of attorney and no other authority express, implied or ostensible which is still outstanding or effective to any person to enter into any contract or commitment to do anything on its behalf other than the authority of employees to enter into routine trading contracts in the normal course of their duties.
- 5.13 No person is entitled to receive from the Company any finder's fee, brokerage or commission in connection with this Agreement or anything contained in it.

6. Litigation

- 6.1 Neither the Company nor any person for whose acts or defaults the Company may be vicariously liable is engaged whether as plaintiff or defendant or otherwise in any civil, criminal or arbitration proceedings or any proceedings before any tribunal (save for debt collection by the Company in the ordinary course of business) and there are no proceedings threatened or pending against the Company including proceedings in respect whereof the Company is liable to indemnify any party concerned therein and in particular but without prejudice to the generality of the foregoing the Company is not liable (other than contingently) to make any redundancy or severance or long service payment to any person or pay any other compensation to any of its employees and there are no facts which are likely to give rise to any litigation or proceedings. There are no unfulfilled or unsatisfied judgments or orders against the Company or any of its assets and there has been no delay by it in the payment of any obligation due for payment.

7. **Employment and Retirement Scheme Matters**

- 7.1 There are no existing service or other agreements or contracts between the Company and any of its directors or executives which cannot be lawfully terminated by three calendar months' notice or less without giving rise to any claim for damages or compensation other than a statutory redundancy or severance or long service payment.

8. **Arrangements with connected persons etc.**

- 8.1 All amounts outstanding and appearing in the books of the Company as loan accounts or as due to directors or shareholders wholly represent money or money's worth paid or transferred to the Company as the case may be or remuneration accrued due and payable for services rendered.
- 8.2 There is not outstanding and there has not at any time been outstanding any contract or arrangement to which the Company is a party and in which any of the directors or officers of the Company is or has been interested, whether directly or indirectly, other than arm's length service contracts and the Company is not a party to, nor have its profits or financial position at any time been adversely affected by, any contract or arrangement which is not of an entirely arm's length nature; save as aforesaid, there are no agreements or understandings (whether legally enforceable or not) between the Company and any person who is a shareholder or the beneficial owner of any interest in the Company or any other company controlled by any such person relating to the management of the Company's business or the appointment or the removal of its directors or the ownership or transfer of ownership or the letting of any of its assets or the provision of finance, goods, services or other facilities to or by the Company or otherwise howsoever relating to the Company or its affairs.

9. **Matters since the Management Accounts Date**

Since the Management Accounts Date:

- 9.1 there has been no interruption or alteration in the nature, scope or manner of the Company's business which business has been carried on lawfully and in the ordinary and usual course of business so as to maintain it as a going concern;
- 9.2 there has been no material adverse change in the financial condition or the position, prospects, assets or liabilities of the said business or the Group as compared with the position disclosed by the Accounts and there has been no damage, destruction or loss (whether or not covered by insurance) affecting the said business or its assets;
- 9.3 the Company has not repaid any loan capital in whole or in part (other than indebtedness to its bankers and the payment of the outstanding amount under the Convertible Bond) nor has it become bound or liable to be called upon to repay prematurely any loan capital or borrowed monies;
- 9.4 the Company has not, except in the ordinary course of business, acquired, sold, transferred or otherwise disposed of any assets of whatsoever nature;

- 9.5 the Company has not cancelled, waived, released or discontinued any rights, debts or claims;
- 9.6 the Company has not incurred any capital expenditure or made any capital commitment of an amount in excess of HK\$2,000,000 or disposed of any fixed assets having a value of more than HK\$2,000,000 in aggregate;
- 9.7 the Company has not hired or dismissed any employee earning an annual rate of remuneration, including fringe benefits, in excess of HK\$500,000;
- 9.8 no sum or benefit has been paid, applied or voted to any executive, director, officer or employee of the Company by way of remuneration, bonus, incentive or otherwise in excess of the amounts paid or distributed to them by the Company at the Management Accounts Date so as to increase their total remuneration and no new service agreements have been made or entered into by the Company since the Management Accounts Date and the Company is under no contractual or other obligation to change the terms of service of any director, officer, executive or employee and the Company will not change the terms of service of any executive, director, officer or employee prior to Completion;
- 9.9 no share or loan capital of the Company has been issued or agreed to be issued or any option or right thereover granted.
- 9.10 the Company has not undergone any capital reorganisation or change in its capital structure;
- 9.11 no resolutions have been passed by the Company and nothing has been done in the conduct or management of the affairs of the Company which would be likely materially to reduce the net asset value of the Company;
- 9.12 the Company has not made any purchase or sale or introduced any method of management or operation in respect of the business, undertaking or assets of the Company except in a manner consistent with proper prior practice;
- 9.13 the Company has not incurred or become subject to any liability or obligation (absolute or contingent) except current liabilities and obligations, in each case incurred under contracts entered into in the ordinary course of business;
- 9.14 no material changes have occurred in the assets and liabilities (actual or contingent) shown in the Accounts and the Company has not discharged or satisfied any lien or encumbrance or any other obligation or liability (absolute or contingent) other than liabilities disclosed in the Accounts as at the Accounts Date and current liabilities incurred since the Management Accounts Date in the ordinary course of business;
- 9.15 the Company has not carried out or entered into any transaction and no other event has occurred in consequence of which (whether alone or together with any one or more transactions or events occurring before on or after the date hereof) any liability to Tax of the Company has arisen or will or may arise (or would have arisen or would or might arise but for the availability of any relief, allowance, deduction or credit) other than tax

on actual income or profits of the Company arising from transactions entered into in the ordinary course of business;

10. Accuracy of Information Provided

- 10.1 All information contained in this Agreement (including the recitals) is true and accurate in all respects and not misleading in any respect.
- 10.2 All written information given to the Subscriber and their professional advisers by the Company, the officers and employees of the Company, the Company's advisers or professional advisers during the negotiations prior to this Agreement was when given and is at the date hereof true and accurate.
- 10.3 All information, facts or circumstances (i) which (either on its own or together with others) might reasonably have been expected to influence the decision of the Subscriber to subscribe for the Subscription Shares on the terms contained in this Agreement and (ii) which have caused or are reasonably expected to cause a material adverse effect on the Company, have been disclosed to the Subscriber or any of its advisers or agents.

SCHEDULE 3

FORM OF CERTIFICATE

ARTFIELD GROUP LIMITED

(Incorporated in the Bermuda with limited liability)

HK\$200,000,000 ZERO INTEREST CONVERTIBLE BOND

Issued pursuant to the Bye-laws of Artfield Group Limited (the “**Company**”) and a resolution of its board of directors passed on [●].

THIS IS TO CERTIFY that Ascent Goal Investments Limited, a company incorporated under the laws of British Virgin Islands, whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands is the registered holder (the “**Subscriber**”) of the above-mentioned Convertible Bond (the “**Convertible Bond**”). The Convertible Bond is issued with the benefit of and subject to the terms and conditions attached hereto (the “**Conditions**”) which shall form an integral part of this Certificate.

GIVEN under the Common Seal of the Company this [●] day of .

Director

Secretary/Director

Convertible Bond:

The Convertible Bond shall be issued only in registered form and is only transferable to the extent permitted by and upon and subject to the terms and conditions attached hereto. This certificate must be delivered to the board of directors of the Company for cancellation and, if applicable, the reissue or an appropriate certificate in the event of any such transfer.

(For endorsement in the event of partial conversion)

Date

Amount Converted

Amount Outstanding

TERMS AND CONDITIONS OF THE CONVERTIBLE BOND

The Convertible Bond shall be held subject to and with the benefit of the terms and conditions (the “**Conditions**”) set out below and such terms and conditions shall be binding on Artfield Group Limited (the “**Company**”). Except where the context otherwise requires, expressions defined in the Subscription Agreement dated 16 January 2008 in respect of the Convertible Bond shall bear the same meanings in this Certificate:

1. Period

The Maturity Date of the Convertible Bond shall be a date falling 36 months from the date of issue of the Certificate and the Company shall repay the principal amount outstanding under the Convertible Bond to the Subscriber in full on the Maturity Date.

2. Amount and issue of the Convertible Bond

- (a) The Convertible Bond will be issued subject to the terms of these Conditions and shall be binding on Company and enure for the benefit of the Subscriber and permitted transferees of the original Subscriber.
- (b) The Company shall pay all duties or stamp duties (if any) on the issue of the relevant Convertible Bond and the initial delivery of the Convertible Bond.
- (c) The Convertible Bond shall be held subject to and with the benefit of the Conditions and such Conditions shall be binding on the Company and the Subscriber and all persons claiming through them.

3 Status and Transfer

- (a) The obligations of the Company under the Convertible Bond constitute general and unsecured obligations of the Company and rank, and will rank, *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. No application will be made for a listing of the Convertible Bond in the Stock Exchange or any recognized stock exchange.
- (b) The Convertible Bond may only be assigned or transferred by the Subscriber to the transferee (or their duly authorised representatives) with execution of a transfer instrument in a form approved by the board of directors of the Company. Subject thereto, the principal amount outstanding under the Convertible Bond may be assigned or transferred in whole or in part.
- (c) In the event of a transfer of the Convertible Bond or any part thereof, the Certificate of the Convertible Bond must be delivered to the Company for registration together with (i) the duly executed transfer instrument referred to in Condition 3(c); and (ii) in the case of the execution of such transfer instrument by an officer for and on behalf of the Subscriber and the transferee, each being a corporation, the authority of that officer to do so. The Company shall, within

30 days of receipt of such documents from the Subscriber, cancel the existing Certificate and issue a new Certificate in favour of the transferee or assignee and, in the case of a transfer of part of the Convertible Bond, the Subscriber.

4. Interest

The Convertible Bond shall bear no interest.

5. Redemption

Neither the Company nor the Subscriber shall at any time redeem (all or part of) the principal amount of the Convertible Bond outstanding prior to the Maturity Date.

6. Conversion

- (a) The Subscriber or its nominee(s) will have the right to convert in whole or in part of the principal amount of the Convertible Bond into Conversion Shares at the Conversion Price on any Business Day during the Conversion Period provided that the amount so converted shall be at least HK\$1,000,000 (and in integral multiples thereof) on each conversion, save that if the principal outstanding amount of the Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Bond may be converted. No fraction of a Share will be issued on conversion but an equivalent cash payment (except in cases where any such cash payment would amount to less than HK\$10) in Hong Kong dollars will be made to the Subscriber in respect of such fraction. The Conversion Shares shall be allotted and issued, credited as fully paid, to the Subscriber by the Company, in accordance with the Bye-laws. The Conversion Shares issued upon conversion shall rank *pari passu* in all respects with all other issued Shares as at the date of allotment of such Shares upon conversion and shall be entitled to all dividends and other distributions where the record(s) date for which falls on a date on or after the date of such allotment. Notwithstanding any other provision in this Agreement, the Subscriber shall exercise its right attaching to the Convertible Bond only if the allotment and issue of the Conversion Shares will not cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules (“**Public Float Requirement**”). The Company shall within the next Business Day after its receipt of the Conversion Notice from the Subscriber inform the Subscriber in writing if the proposed allotment and issue of the Conversion Shares would result in a breach of the Public Float Requirement.
- (b) The Subscriber shall exercise the right to convert the Convertible Bond by completing and serving on the Company 7 days’ Conversion Notice and delivering the same, together with the Certificate, to the principle place of business of the Company in Hong Kong. A Conversion Notice once given may not be withdrawn without the prior consent in writing of the Company. The Subscriber shall be responsible for the payment of all capital duties (if any) arising from the conversion of the Convertible Bond and all charges for the issue of share certificates shall be borne by such party in accordance with the

Bye-laws and subject thereto, all stamp duty and other duties, levies and charges (if any) arising on conversion in Hong Kong or Bermuda shall be borne by the Subscriber.

- (c) Should the Subscriber exercise the right to convert the Convertible Bond, in whole or in part, the Company shall allot and issue to the Subscriber such number of Shares converted under such amount of the Convertible Bond at the Conversion Price within 7 Business Days from the date on which the Conversion Notice served by the Subscriber. The Company shall apply the equivalent amount of the subscription money paid by the Subscriber to the Company as consideration.

7. Adjustments

- (a) Subject as hereinafter provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (i) to (vi) inclusive of this Condition 7, it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:
 - (i) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.
 - (ii) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalization. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.
 - (iii) If and whenever the Company shall make any Capital Distribution (as defined in this Condition 7(b)) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price (as defined in this Condition 7(b)) on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding the date of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank, of the portion of the Capital Distribution or of such rights which is attributable to one Share,

Provided that:

- (aa) if in the opinion of the relevant approved merchant bank, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and
- (bb) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares credited as fully paid by way of capitalization of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant.

- (iv) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares (other than options granted or Shares issued to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme), at a price which is less than 90 per cent of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights; options or warrants and of the amount payable for the total number of

new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant) provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the Subscriber (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the Conversion Rights under the Convertible Bond in full on the day immediately preceding the record date for such offer or grant.

- (v) (aa) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares (other than options granted or Shares issued to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme), and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 90 percent of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.
- (bb) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (v) are modified so that the total Effective Consideration per Share initially receivable for

such securities shall be less than 90 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalization issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-paragraph (v), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (vi) If and whenever the Company shall issue wholly for cash any Shares (other than Shares issued to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme) at a price per Share which is less than 90 per cent. of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the

date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

(b) For the purposes of this Condition 7:

“**announcement**” shall include the release of an announcement to the press or the delivery or transmission by telephone, facsimile transmission, electronic transmission, telex or otherwise of an announcement to the Stock Exchange and “date of announcement” shall mean the date on which the announcement is first so released, delivered or transmitted;

“**approved merchant bank**” means a merchant bank of repute in Hong Kong selected by the Company and approved by the Subscriber which approval shall not be unreasonably withheld or delayed for the purpose of providing a specific opinion or calculation or determination hereunder;

“**Capital Distribution**” shall (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall automatically be deemed not a Capital Distribution if it is paid out of the aggregate of the net profits attributable to the holders of Shares for all financial periods after that ended 31 March as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period;

“**issue**” shall include allot;

“**market price**” means the average of the closing prices of one Share on the Stock Exchange as quoted in the official sheet of the Stock Exchange (or the equivalent) for each of the last five Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained;

“**Shares**” includes, for the purposes of Shares comprised in any issue, distribution or grant pursuant to sub-paragraphs (iii), (iv), (v) or (vi) of this Condition 7(a), any such ordinary shares of the Company as, when fully paid, will be Shares;

“**reserves**” includes unappropriated profits;

“**rights**” includes rights in whatsoever form issued.

(c) The provisions of sub-paragraphs (ii), (iii), (iv), (v) and (vi) of this Condition 7(a) shall not apply to:

- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Convertible Bond) to acquire Shares provided that an adjustment has been made (if appropriate) under this Condition 7 in respect of the issue of such securities or granting of such rights (as the case may be);
- (ii) a grant of options or an issue of Shares or other securities of the Company or any subsidiary of the Company carrying rights to subscribe for or acquire, or wholly or partly convertible into, Shares to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme;
- (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into Shares or of rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business provided that an adjustment has been made (if appropriate) under this Condition 7 in respect of the issue of such Shares or securities or granting of such rights (as the case may be);
- (iv) an issue of fully-paid Shares by way of capitalization of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into Shares or of rights to acquire Shares;
- (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110 per cent. of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the "market value" of a Share shall mean the average of the closing prices as quoted in the official sheet of the Stock Exchange (or the equivalent) for such Stock Exchange dealing days on which dealings in the Shares took place (being not less than five such days) as are selected by the directors of the Company in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash; or
- (vi) an issue of Share or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or

rights to acquire, Shares pursuant to any existing options, warrants, convertible bonds and similar rights to subscribe or purchase equity securities of the Company.

- (d) Any adjustment to the Conversion Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Conversion Price. In addition to any determination which may be made by the directors of the Company, every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the auditors of the Company for the time being or by an approved merchant bank.
- (e) Notwithstanding anything contained herein, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this Condition would be less than one cent and any adjustment that would otherwise be required then to be made shall not be carried forward.
- (f) If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved merchant bank to consider whether any adjustment to the Conversion Price is appropriate (and if such approved merchant bank shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly and the provisions of this Condition 7(d), (e) and (h) shall apply).
- (g) Notwithstanding the provisions of this Condition 7(a), in any circumstances where the directors of the Company shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the provisions, the Company may appoint an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect

from such other date and/or time as shall be certified by such approved merchant bank to be in its opinion appropriate.

- (h) Whenever the Conversion Price is adjusted as herein provided, the Company shall give notice to the Subscriber that the Conversion Price has been adjusted (and setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as the Convertible Bond remains outstanding make available for inspection at its principal place of business in Hong Kong a signed copy of the said certificate of the approved merchant bank and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof and shall, on request, send a copy thereof to the Subscriber.
- (i) If the application of any of the provisions of this Condition 7 would but for this paragraph (i) result in the Conversion Price being reduced so that on conversion Shares shall fall to be issued at a discount to their nominal value, then the Conversion Price shall be adjusted to an amount equal to the nominal value of one Share.

8. Protection of the Subscriber

So long as the Convertible Bond is outstanding, and subject to any approvals otherwise given in writing by the Subscriber:

- (a) the Company shall not in any way modify the rights attached to the Shares as a class or attach any special restrictions thereto;
- (b) the Company shall not issue or pay up any securities by way of capitalization of profits or reserves other than (i) by the issue of fully-paid Shares to holders of its Shares; or (ii) as mentioned in Condition 7(c)(iv); or (iii) by the issue of Shares in lieu of a cash dividend in the manner referred to in Condition 7(c)(v);
- (c) the Company shall not create or permit to be in issue any equity share capital other than Shares, provided that nothing in this Condition 8(c) shall prevent (i) any consolidation or sub-division of the Shares; or (ii) the issue of any equity share capital which does not participate in dividend before a certain date or in respect of a certain financial period but ranks pari passu in all other respects with the Shares; or (iii) the issue of equity share capital to officers or employees of the Company or any of its subsidiaries pursuant to an employee or executive share scheme;
- (d) the Company shall procure that at no time shall there be in issue Shares of differing nominal values;

- (e) the Company shall not make any issue, grant or distribution or take any other action if the effect thereof would be that on the exercise of the right to convert the Convertible Bond it would but for Condition 7(a)(i) be required to issue Shares at a discount to their nominal value;
- (f) the Company shall use its best endeavours (i) to maintain a listing for all the issued Shares on the Main Board of the Stock Exchange or on such other equivalent internationally recognized stock exchange (a "recognized stock exchange") as the Company may from time to time determine; (ii) to obtain and maintain a listing on the Stock Exchange (or a recognized stock exchange) for all the Conversion Shares issued on the exercise of right to convert the Convertible Bond; and (iii) to obtain a listing for all the Conversion Shares issued on the exercise of the right to convert the Convertible Bond on any other stock exchange on which any of the Shares are for the time being listed and will forthwith give notice to the Subscriber in accordance with Condition 10 of the listing or delisting of the Shares by any such stock exchange;
- (g) the Company shall, as soon as possible and in any event not later than 3 Business Days after the announcement of the terms of any issue referred to in Condition 7, give notice to the Subscriber advising it of the date on which the relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising the right to convert the Convertible Bond pending such date;
- (h) the Company shall comply with and procure the compliance with all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for approval of the issue of the Convertible Bond or for the listing of and permission to deal in the Shares issued or to be issued on the exercise of the right to convert the Convertible Bond and shall ensure the continued compliance therewith; and
- (i) the Company shall ensure that all Shares issued upon conversion of the Convertible Bond will be duly and validly issued, fully paid and registered.

9. Issue of Shares on Conversion

The Company undertakes to issue the Conversion Shares to the Subscriber (or as it may direct) upon exercise the right to convert the Convertible Bond, in whole or in part, by the Subscriber. The Conversion Shares arising on conversion shall be allotted and issued by the Company to the Subscriber (or as it may direct) within 7 Business Days from the date on which the Conversion Notice served by the Subscriber expires and certificates for the Shares to which the Subscriber shall become entitled in consequence of exercising its right to convert the Convertible Bond shall be issued in board lots and (if appropriate) together with an endorsement on the Certificate by a director of the Company for any balance of the principal amount of the Convertible Bond not converted.

10. Events of Default

If any of the following events occurs, the Subscriber may give notice to the Company that the Convertible Bond is, and it shall on the giving of such notice immediately become, due and payable at its principal amount:

- (a) the Company fails to pay the principal amount when due unless such non-payment is due solely to administrative or technical error and payment is made within 7 Business Days of the due date thereof; or
- (b) the Company defaults in performance of or observance of or compliance with any of its other material obligations set out herein which default is incapable of remedy or, if capable of remedy, is not remedied within 14 Business Days after notice of such default shall have been given to the Company by such Subscriber; or
- (c) an encumbrancer takes possession of or a receiver, manager or other similar officer is appointed in respect of the whole or any substantial part of the undertaking, property, assets or revenues of the Company; or
- (d) the Company becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or takes any proceeding under any law for a re-adjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors; or
- (e) an order is made or an effective resolution passed for the winding up of the Company; or
- (f) a moratorium is agreed or declared in respect of any indebtedness of the Company or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company; or
- (g) the Shares (as a class) cease to be listed on the Main Board of the Stock Exchange or a recognized stock exchange (each as defined in Condition 8(f)) for a continuous period of 10 Trading Days due to the default of the Company.

The Company will forthwith on becoming aware of any such event as is mentioned in this Condition give notice in writing thereof to the Subscriber. At any time after the Convertible Bond has become payable the Subscriber may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

11. Experts

In giving any certificate or making any adjustment hereunder, the auditors of the Company or (as the case may be) the approved investment bank shall be deemed to be

acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on the Company and the Subscriber and all persons claiming through or under them respectively.

12. Notices

- (a) Any notice, demand or other communication required or permitted to be given by or under the Convertible Bond shall be in writing and shall be given by delivering or sending it to the relevant party at its address or facsimile number set out below (or such other address or facsimile number in Hong Kong as the party concerned may have notified to the other party pursuant to this Condition):

To the Company

Address : Room 1507, Office Tower,
Convention Plaza,
1 Harbour Road,
Hong Kong
Telephone No. : (852) 2511-6090
Facsimile No. : (852) 2511-9807
Attention : Mr. Alvin Leung

To the Subscriber

Address : 22/F., World Wide House,
Central,
Hong Kong
Telephone No. : (852) 2501-0088
Facsimile No. : (852) 2501-0028
Attention : Mr. Kelvin Kwan

- (b) Any notice, demand or other communication so addressed to the relevant party shall be deemed to have been delivered:
- (i) if delivered by hand, when delivered to the relevant address;
 - (ii) if given or made by letter in a prepaid envelope by post, 48 hours after posting, or upon acknowledgement of receipt by the addressee, if sooner;
 - (iii) if given or made by facsimile, when despatched.

13. Amendment

The terms and conditions of the Convertible Bond may be varied, expanded or amended by agreement in writing between the Company and the Subscriber.

14. Governing law and jurisdiction

The Convertible Bond and the Conditions are governed by and shall be construed in accordance with the laws of Hong Kong and the parties hereto agree to submit to the non-exclusive jurisdiction of the courts of Hong Kong.

SCHEDULE 4

FORM OF CONVERSION NOTICE

Date:

To: Artfield Group Limited

Dear Sirs,

EXERCISE OF THE CONVERSION RIGHT ATTACHED TO THE CONVERTIBLE BOND ISSUED BY ARTFIELD GROUP LIMITED (THE "COMPANY")

We refer to the subscription agreement dated 15 January 2008 (the "**Agreement**") entered into between us and Artfield Group Limited (the "Company") in relation to the subscription of a convertible bond in the principal amount of HK\$200,000,000 by us. Terms defined in the Agreement shall have the same meaning when used herein.

Pursuant to Condition 6 of the Conditions attached to the Certificate, we hereby give you notice to exercise the right to convert the sum of HK\$[●] under the Convertible Bond into Conversion Shares at the Conversion Price.

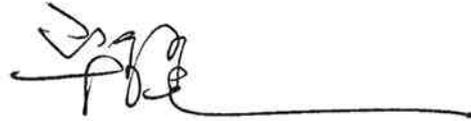
You are requested to complete the issue and allotment of the Conversion Shares in accordance with the Conditions.

Yours faithfully,

[●]

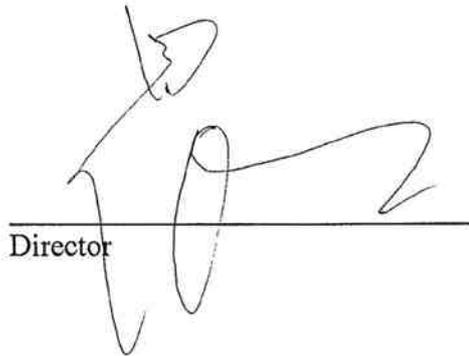
IN WITNESS WHEREOF this Agreement has been executed on the day and year first above written.

SIGNED by LEUNG HEUNG YING)
)
for and on behalf of)
ARTFIELD GROUP LIMITED)
in the presence of:)



Director

SIGNED by Lo Fong Hung,)
director)
for and on behalf of)
ASCENT GOAL INVESTMENTS)
LIMITED)
in the presence of:)



Director

Appendix B

Certificate and Terms and Conditions of Convertible Bond

ARTFIELD GROUP LIMITED

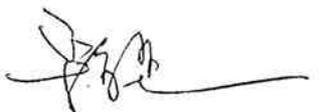
(Incorporated in the Bermuda with limited liability)

HK\$200,000,000 ZERO INTEREST CONVERTIBLE BOND

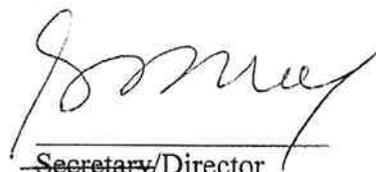
Issued pursuant to the Bye-laws of Artfield Group Limited (the “**Company**”) and a resolution of its board of directors passed on 14 March 2008.

THIS IS TO CERTIFY that Ascent Goal Investments Limited, a company incorporated under the laws of British Virgin Islands, whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands is the registered holder (the “**Subscriber**”) of the above-mentioned Convertible Bond (the “**Convertible Bond**”). The Convertible Bond is issued with the benefit of and subject to the terms and conditions attached hereto (the “**Conditions**”) which shall form an integral part of this Certificate.

GIVEN under the Common Seal of the Company this 14th day of March 2008 .



Director



Secretary/Director



Convertible Bond:

The Convertible Bond shall be issued only in registered form and is only transferable to the extent permitted by and upon and subject to the terms and conditions attached hereto. This certificate must be delivered to the board of directors of the Company for cancellation and, if applicable, the reissue or an appropriate certificate in the event of any such transfer.

(For endorsement in the event of partial conversion)

Date

Amount Converted

Amount Outstanding

TERMS AND CONDITIONS OF THE CONVERTIBLE BOND

The Convertible Bond shall be held subject to and with the benefit of the terms and conditions (the “**Conditions**”) set out below and such terms and conditions shall be binding on Artfield Group Limited (the “**Company**”). Except where the context otherwise requires, expressions defined in the Subscription Agreement dated 15 January 2008 in respect of the Convertible Bond shall bear the same meanings in this Certificate:

1. Period

The Maturity Date of the Convertible Bond shall be a date falling 36 months from the date of issue of the Certificate and the Company shall repay the principal amount outstanding under the Convertible Bond to the Subscriber in full on the Maturity Date.

2. Amount and issue of the Convertible Bond

- (a) The Convertible Bond will be issued subject to the terms of these Conditions and shall be binding on Company and enure for the benefit of the Subscriber and permitted transferees of the original Subscriber.
- (b) The Company shall pay all duties or stamp duties (if any) on the issue of the relevant Convertible Bond and the initial delivery of the Convertible Bond.
- (c) The Convertible Bond shall be held subject to and with the benefit of the Conditions and such Conditions shall be binding on the Company and the Subscriber and all persons claiming through them.

3 Status and Transfer

- (a) The obligations of the Company under the Convertible Bond constitute general and unsecured obligations of the Company and rank, and will rank, *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. No application will be made for a listing of the Convertible Bond in the Stock Exchange or any recognized stock exchange.
- (b) The Convertible Bond may only be assigned or transferred by the Subscriber to the transferee (or their duly authorised representatives) with execution of a transfer instrument in a form approved by the board of directors of the Company. Subject thereto, the principal amount outstanding under the Convertible Bond may be assigned or transferred in whole or in part.
- (c) In the event of a transfer of the Convertible Bond or any part thereof, the Certificate of the Convertible Bond must be delivered to the Company for registration together with (i) the duly executed transfer instrument referred to in Condition 3(b); and (ii) in the case of the execution of such transfer instrument by an officer for and on behalf of the Subscriber and the transferee, each being a corporation, the authority of that officer to do so. The Company shall, within 30 days of receipt of such documents from the Subscriber, cancel the existing

Certificate and issue a new Certificate in favour of the transferee or assignee and, in the case of a transfer of part of the Convertible Bond, the Subscriber.

4. Interest

The Convertible Bond shall bear no interest.

5. Redemption

Neither the Company nor the Subscriber shall at any time redeem (all or part of) the principal amount of the Convertible Bond outstanding prior to the Maturity Date.

6. Conversion

- (a) The Subscriber or its nominee(s) will have the right to convert in whole or in part of the principal amount of the Convertible Bond into Conversion Shares at the Conversion Price on any Business Day during the Conversion Period provided that the amount so converted shall be at least HK\$1,000,000 (and in integral multiples thereof) on each conversion, save that if the principal outstanding amount of the Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Bond may be converted. No fraction of a Share will be issued on conversion but an equivalent cash payment (except in cases where any such cash payment would amount to less than HK\$10) in Hong Kong dollars will be made to the Subscriber in respect of such fraction. The Conversion Shares shall be allotted and issued, credited as fully paid, to the Subscriber by the Company, in accordance with the Bye-laws. The Conversion Shares issued upon conversion shall rank *pari passu* in all respects with all other issued Shares as at the date of allotment of such Shares upon conversion and shall be entitled to all dividends and other distributions where the record(s) date for which falls on a date on or after the date of such allotment. Notwithstanding any other provision in these Conditions, the Subscriber shall exercise its right attaching to the Convertible Bond only if the allotment and issue of the Conversion Shares will not cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules (“**Public Float Requirement**”). The Company shall within the next Business Day after its receipt of the Conversion Notice from the Subscriber inform the Subscriber in writing if the proposed allotment and issue of the Conversion Shares would result in a breach of the Public Float Requirement.
- (b) The Subscriber shall exercise the right to convert the Convertible Bond by completing and serving on the Company 7 days’ Conversion Notice and delivering the same, together with the Certificate, to the principal place of business of the Company in Hong Kong. A Conversion Notice once given may not be withdrawn without the prior consent in writing of the Company. The Subscriber shall be responsible for the payment of all capital duties (if any) arising from the conversion of the Convertible Bond and all charges for the issue of share certificates shall be borne by such party in accordance with the Bye-laws and subject thereto, all stamp duty and other duties, levies and charges (if any) arising on conversion in Hong Kong or Bermuda shall be borne by the Subscriber.

- (c) Should the Subscriber exercise the right to convert the Convertible Bond, in whole or in part, the Company shall allot and issue to the Subscriber such number of Shares converted under such amount of the Convertible Bond at the Conversion Price within 7 Business Days from the date on which the Conversion Notice served by the Subscriber. The Company shall apply the equivalent amount of the subscription money paid by the Subscriber to the Company as consideration.

7. Adjustments

- (a) Subject as hereinafter provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (i) to (vi) inclusive of this Condition 7, it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:
 - (i) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.
 - (ii) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalization. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.
 - (iii) If and whenever the Company shall make any Capital Distribution (as defined in this Condition 7(b)) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price (as defined in this Condition 7(b)) on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding the date of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank, of the portion of the Capital Distribution or of such rights which is attributable to one Share,

Provided that:

- (aa) if in the opinion of the relevant approved merchant bank, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and
- (bb) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares credited as fully paid by way of capitalization of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant.

- (iv) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares (other than options granted or Shares issued to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme), at a price which is less than 90 per cent of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights; options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant) provided however that no such adjustment shall be made if the

Company shall make a like offer or grant (as the case may be) at the same time to the Subscriber (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the Conversion Rights under the Convertible Bond in full on the day immediately preceding the record date for such offer or grant.

- (v) (aa) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares (other than options granted or Shares issued to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme), and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 90 percent of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.
- (bb) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (v) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 90 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or

exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalization issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-paragraph (v), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(vi) If and whenever the Company shall issue wholly for cash any Shares (other than Shares issued to employees or directors of the Company or any of its subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme) at a price per Share which is less than 90 per cent. of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

(b) For the purposes of this Condition 7:

“**announcement**” shall include the release of an announcement to the press or the delivery or transmission by telephone, facsimile transmission, electronic transmission, telex or otherwise of an announcement to the Stock Exchange and “date of announcement” shall mean the date on which the announcement is first so released, delivered or transmitted;

“approved merchant bank” means a merchant bank of repute in Hong Kong selected by the Company and approved by the Subscriber which approval shall not be unreasonably withheld or delayed for the purpose of providing a specific opinion or calculation or determination hereunder;

“Capital Distribution” shall (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall automatically be deemed not a Capital Distribution if it is paid out of the aggregate of the net profits attributable to the holders of Shares for all financial periods after that ended 31 March as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period;

“issue” shall include allot;

“market price” means the average of the closing prices of one Share on the Stock Exchange as quoted in the official sheet of the Stock Exchange (or the equivalent) for each of the last five Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained;

“Shares” includes, for the purposes of Shares comprised in any issue, distribution or grant pursuant to sub-paragraphs (iii), (iv), (v) or (vi) of this Condition 7(a), any such ordinary shares of the Company as, when fully paid, will be Shares;

“reserves” includes unappropriated profits;

“rights” includes rights in whatsoever form issued.

- (c) The provisions of sub-paragraphs (ii), (iii), (iv), (v) and (vi) of this Condition 7(a) shall not apply to:
- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Convertible Bond) to acquire Shares provided that an adjustment has been made (if appropriate) under this Condition 7 in respect of the issue of such securities or granting of such rights (as the case may be);
 - (ii) a grant of options or an issue of Shares or other securities of the Company or any subsidiary of the Company carrying rights to subscribe for or acquire, or wholly or partly convertible into, Shares to employees or directors of the Company or any of its

subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme;

- (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into Shares or of rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business provided that an adjustment has been made (if appropriate) under this Condition 7 in respect of the issue of such Shares or securities or granting of such rights (as the case may be);
 - (iv) an issue of fully-paid Shares by way of capitalization of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into Shares or of rights to acquire Shares;
 - (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110 per cent. of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the "market value" of a Share shall mean the average of the closing prices as quoted in the official sheet of the Stock Exchange (or the equivalent) for such Stock Exchange dealing days on which dealings in the Shares took place (being not less than five such days) as are selected by the directors of the Company in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash; or
 - (vi) an issue of Share or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Shares pursuant to any existing options, warrants, convertible bonds and similar rights to subscribe or purchase equity securities of the Company.
- (d) Any adjustment to the Conversion Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Conversion Price. In addition to any determination which may be made by the directors of the Company, every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the auditors of the Company for the time being or by an approved merchant bank.

- (e) Notwithstanding anything contained herein, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this Condition would be less than one cent and any adjustment that would otherwise be required then to be made shall not be carried forward.
- (f) If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved merchant bank to consider whether any adjustment to the Conversion Price is appropriate (and if such approved merchant bank shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly and the provisions of this Condition 7(d), (e) and (h) shall apply).
- (g) Notwithstanding the provisions of this Condition 7(a), in any circumstances where the directors of the Company shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the provisions, the Company may appoint an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank to be in its opinion appropriate.
- (h) Whenever the Conversion Price is adjusted as herein provided, the Company shall give notice to the Subscriber that the Conversion Price has been adjusted (and setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as the Convertible Bond remains outstanding make available for inspection at its principal place of business in Hong Kong a signed copy of the said certificate of the approved merchant bank and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof and shall, on request, send a copy thereof to the Subscriber.

- (i) If the application of any of the provisions of this Condition 7 would but for this paragraph (i) result in the Conversion Price being reduced so that on conversion Shares shall fall to be issued at a discount to their nominal value, then the Conversion Price shall be adjusted to an amount equal to the nominal value of one Share.

8. Protection of the Subscriber

So long as the Convertible Bond is outstanding, and subject to any approvals otherwise given in writing by the Subscriber:

- (a) the Company shall not in any way modify the rights attached to the Shares as a class or attach any special restrictions thereto;
- (b) the Company shall not issue or pay up any securities by way of capitalization of profits or reserves other than (i) by the issue of fully-paid Shares to holders of its Shares; or (ii) as mentioned in Condition 7(c)(iv); or (iii) by the issue of Shares in lieu of a cash dividend in the manner referred to in Condition 7(c)(v);
- (c) the Company shall not create or permit to be in issue any equity share capital other than Shares, provided that nothing in this Condition 8(c) shall prevent (i) any consolidation or sub-division of the Shares; or (ii) the issue of any equity share capital which does not participate in dividend before a certain date or in respect of a certain financial period but ranks pari passu in all other respects with the Shares; or (iii) the issue of equity share capital to officers or employees of the Company or any of its subsidiaries pursuant to an employee or executive share scheme;
- (d) the Company shall procure that at no time shall there be in issue Shares of differing nominal values;
- (e) the Company shall not make any issue, grant or distribution or take any other action if the effect thereof would be that on the exercise of the right to convert the Convertible Bond it would but for Condition 7(a)(i) be required to issue Shares at a discount to their nominal value;
- (f) the Company shall use its best endeavours (i) to maintain a listing for all the issued Shares on the Main Board of the Stock Exchange or on such other equivalent internationally recognized stock exchange (a "recognized stock exchange") as the Company may from time to time determine; (ii) to obtain and maintain a listing on the Stock Exchange (or a recognized stock exchange) for all the Conversion Shares issued on the exercise of right to convert the Convertible Bond; and (iii) to obtain a listing for all the Conversion Shares issued on the exercise of the right to convert the Convertible Bond on any other stock exchange on which any of the Shares are for the time being listed and will forthwith give notice to the Subscriber in accordance with Condition 10 of the listing or delisting of the Shares by any such stock exchange;
- (g) the Company shall, as soon as possible and in any event not later than 3 Business Days after the announcement of the terms of any issue referred to in Condition 7, give notice to the Subscriber advising it of the date on which the

relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising the right to convert the Convertible Bond pending such date;

- (h) the Company shall comply with and procure the compliance with all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for approval of the issue of the Convertible Bond or for the listing of and permission to deal in the Shares issued or to be issued on the exercise of the right to convert the Convertible Bond and shall ensure the continued compliance therewith; and
- (i) the Company shall ensure that all Shares issued upon conversion of the Convertible Bond will be duly and validly issued, fully paid and registered.

9. Issue of Shares on Conversion

The Company undertakes to issue the Conversion Shares to the Subscriber (or as it may direct) upon exercise the right to convert the Convertible Bond, in whole or in part, by the Subscriber. The Conversion Shares arising on conversion shall be allotted and issued by the Company to the Subscriber (or as it may direct) within 7 Business Days from the date on which the Conversion Notice served by the Subscriber expires and certificates for the Shares to which the Subscriber shall become entitled in consequence of exercising its right to convert the Convertible Bond shall be issued in board lots and (if appropriate) together with an endorsement on the Certificate by a director of the Company for any balance of the principal amount of the Convertible Bond not converted.

10. Events of Default

If any of the following events occurs, the Subscriber may give notice to the Company that the Convertible Bond is, and it shall on the giving of such notice immediately become, due and payable at its principal amount:

- (a) the Company fails to pay the principal amount when due unless such non-payment is due solely to administrative or technical error and payment is made within 7 Business Days of the due date thereof; or
- (b) the Company defaults in performance of or observance of or compliance with any of its other material obligations set out herein which default is incapable of remedy or, if capable of remedy, is not remedied within 14 Business Days after notice of such default shall have been given to the Company by such Subscriber; or
- (c) an encumbrancer takes possession of or a receiver, manager or other similar officer is appointed in respect of the whole or any substantial part of the undertaking, property, assets or revenues of the Company; or
- (d) the Company becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of any administrator,

liquidator or receiver of the Company or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or takes any proceeding under any law for a re-adjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors; or

- (e) an order is made or an effective resolution passed for the winding up of the Company; or
- (f) a moratorium is agreed or declared in respect of any indebtedness of the Company or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company; or
- (g) the Shares (as a class) cease to be listed on the Main Board of the Stock Exchange or a recognized stock exchange (each as defined in Condition 8(f)) for a continuous period of 10 Trading Days due to the default of the Company.

The Company will forthwith on becoming aware of any such event as is mentioned in this Condition give notice in writing thereof to the Subscriber. At any time after the Convertible Bond has become payable the Subscriber may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

11. Experts

In giving any certificate or making any adjustment hereunder, the auditors of the Company or (as the case may be) the approved investment bank shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on the Company and the Subscriber and all persons claiming through or under them respectively.

12. Notices

- (a) Any notice, demand or other communication required or permitted to be given by or under the Convertible Bond shall be in writing and shall be given by delivering or sending it to the relevant party at its address or facsimile number set out below (or such other address or facsimile number in Hong Kong as the party concerned may have notified to the other party pursuant to this Condition):

To the Company
Address : Room 1507, Office Tower,
Convention Plaza,
1 Harbour Road,
Hong Kong
Telephone No. : (852) 2511-6090
Facsimile No. : (852) 2511-9807
Attention : Mr. Alvin Leung

To the Subscriber
Address : 22/F., World Wide House,

Central,
Hong Kong
Telephone No. : (852) 2501-0088
Facsimile No. : (852) 2501-0028
Attention : Mr. Kelvin Kwan

- (b) Any notice, demand or other communication so addressed to the relevant party shall be deemed to have been delivered:
- (i) if delivered by hand, when delivered to the relevant address;
 - (ii) if given or made by letter in a prepaid envelope by post, 48 hours after posting, or upon acknowledgement of receipt by the addressee, if sooner;
 - (iii) if given or made by facsimile, when despatched.

13. Amendment

The terms and conditions of the Convertible Bond may be varied, expanded or amended by agreement in writing between the Company and the Subscriber.

14. Governing law and jurisdiction

The Convertible Bond and the Conditions are governed by and shall be construed in accordance with the laws of Hong Kong and the parties hereto agree to submit to the non-exclusive jurisdiction of the courts of Hong Kong.

FORM OF CONVERSION NOTICE

Date:

To: Artfield Group Limited

Dear Sirs,

EXERCISE OF THE CONVERSION RIGHT ATTACHED TO THE CONVERTIBLE BOND ISSUED BY ARTFIELD GROUP LIMITED (THE "COMPANY")

We refer to the subscription agreement dated 15 January 2008 (the "**Agreement**") entered into between us and Artfield Group Limited (the "**Company**") in relation to the subscription of a convertible bond in the principal amount of HK\$200,000,000 by us. Terms defined in the Agreement shall have the same meaning when used herein.

Pursuant to Condition 6 of the Conditions attached to the Certificate, we hereby give you notice to exercise the right to convert the sum of HK\$[●] under the Convertible Bond into Conversion Shares at the Conversion Price.

You are requested to complete the issue and allotment of the Conversion Shares in accordance with the Conditions.

Yours faithfully,

[●]