

Dated 6 July 2010

- (1) **TACK FAT GROUP INTERNATIONAL LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED)**

- (2) **RODERICK JOHN SUTTON AND FOK HEI YU**

- (3) **NEW PROFIT HOLDINGS LIMITED
(IN CREDITORS' VOLUNTARY LIQUIDATION)**

- (4) **KEY WINNER HOLDINGS LIMITED**

SUBSCRIPTION AGREEMENT
in respect of convertible notes issued by
TACK FAT GROUP INTERNATIONAL LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED)

CONTENTS

<u>Clause</u>	<u>Heading</u>	<u>Page No.</u>
1.	INTERPRETATION	3
2.	SUBSCRIPTION OF THE CONVERTIBLE NOTES	6
3.	CONDITIONS PRECEDENT	6
4.	COMPLETION	7
5.	SUBSCRIBERS' UNDERTAKINGS	7
6.	TERMINATION	7
7.	NOTICES	8
8.	COSTS AND EXPENSES	9
9.	PROVISIONAL LIQUIDATORS	10
10.	GENERAL	10
11.	GOVERNING LAW AND JURISDICTION	11
	SCHEDULE 1 - COMPLETION REQUIREMENTS	12
	SCHEDULE 2 - FORM OF CONVERTIBLE NOTES	13
	ANNEXURE - ANNOUNCEMENT	36

THIS AGREEMENT is made on 6 July 2010

BETWEEN:

- (1) **TACK FAT GROUP INTERNATIONAL LIMITED** (Provisional Liquidators appointed), a company incorporated with limited liability under the laws of the Cayman Islands, the registered office of which is situated at Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman (the “**Company**”);
- (2) **RODERICK JOHN SUTTON AND FOK HEI YU** (in their capacity as joint and several provisional liquidators of the Company appointed by the High Court of Hong Kong) (the “**Provisional Liquidators**”);
- (3) **KEY WINNER HOLDINGS LIMITED**, a company incorporated with limited liability under the laws of Hong Kong, the registered office of which is at 14th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong (“**Key Winner**”); and
- (4) **NEW PROFIT HOLDINGS LIMITED** (In Creditors’ Voluntary Liquidation), a company incorporated with limited liability under the laws of Hong Kong, the registered office of which is at 14th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong (“**New Profit**”),

where Key Winner and New Profit are collectively referred to as the “**Subscribers**” and each of them, the “**Subscriber**”.

WHEREAS:

- (A) On 11 September 2008, the Provisional Liquidators were appointed jointly and severally as provisional liquidators of the Company by an order of the High Court of the Hong Kong Special Administrative Region.
- (B) On 26 May 2010, a restructuring agreement was entered into between the Company, the Provisional Liquidators, the Investor and an escrow agent (the “**Restructuring Agreement**”) pursuant to which the parties thereto agreed to perform their respective obligations for effecting a proposal for the restructuring of the Group (as defined below) in accordance with the terms of the Restructuring Agreement.
- (C) Pursuant to the Restructuring Agreement, the Company, the Provisional Liquidators, Key Winner, a company established by the Provisional Liquidators for the benefit of the Creditors and New Profit, an indirect non-wholly owned subsidiary of the Company entered into this Agreement.
- (D) Pursuant to the Schemes, the Company has agreed to issue and the Subscribers have agreed to subscribe at Completion (as defined below) for the Convertible Notes (as defined below) in the principal amount of HK\$20,000,000 on the terms and subject to the conditions set out in this Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS:-

1. **INTERPRETATION**

(A) In this Agreement, including the Recitals hereto, the words and expressions set out below have the meanings attributed to them below unless the context otherwise requires:-

“Announcement”	the announcement to be made by the Company in relation to, inter alia, this Agreement and the proposed issue of the Convertible Notes, substantially in the form annexed marked “A”;
“Business Day”	any day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business;
“Cayman Companies Law”	the Companies Law (2009 Revision) of the Cayman Islands as amended from time to time;
“Cayman Scheme”	the proposed scheme of arrangement between the Company and the Creditors pursuant to section 86 of the Cayman Companies Law as contemplated under the Restructuring Agreement;
“Circular”	the circular to be despatched by the Company to the shareholders of the Company in relation to, inter alia, the issue of the Convertible Notes;
“Claim”	any debt, liability or obligation whether known or unknown, whether present or future, whether certain or contingent, whether liquidated or unliquidated and which includes without limitation a debt or liability to pay money or money's worth, any liability under any statute or enactment, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution which would be admissible to proof in a compulsory winding-up of a company under the Companies Ordinance or the Cayman Companies Law;
“Companies Ordinance”	the Companies Ordinance (Cap.32) of Hong Kong;
“Completion”	the date fixed for completion pursuant to Clause 4 or, where the context so admits or requires, the performance by the parties hereto of their respective obligations under Clause 4 and Schedule 1;
“Completion Date”	the Closing Date (as defined in the Restructuring

	Agreement);
“Conditions”	the terms and conditions to be attached to the Convertible Notes, and “Condition” refers to the relative numbered paragraph of the Conditions;
“Conditions Precedent”	the conditions precedent set out in Clause 3(A);
“connected person(s)”	the meaning ascribed thereto in the Listing Rules;
“Convertible Notes”	the convertible notes substantially in the form set out in Schedule 2, to be issued by the Company for payment of HK\$20,000,000 one year after the Completion Date bearing interest at the rate of 2% per annum and convertible into Shares at a conversion price of HK\$0.01 per Share, to be allocated as to five sevenths pro rata to Key Winner for the benefit of the Scheme Creditors and as to two sevenths to New Profit for the benefit of the New Profit Stakeholders and subject to the provisions of the Conditions;
“Conversion Rights”	the rights to be attached to the Convertible Notes to convert the principal amount of the Convertible Notes or a part thereof into Conversion Shares;
“Conversion Shares”	the Shares falling to be issued by the Company under the Convertible Notes upon exercise by a Noteholder of the Conversion Rights pursuant to the Conditions;
“Creditor”	a Person to whom or which the Company owes a Claim other than the Preferential Creditors;
“Group”	the Company and its subsidiaries;
“Hong Kong Scheme”	the proposed scheme of arrangement between the Company and the Creditors under section 166 of the Companies Ordinance as contemplated under the Restructuring Agreement;
“Investor”	Radford Developments Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	as defined in Clause 1.1 of the Restructuring Agreement;
“Material Adverse Change”	means any change, effect or development that is or is reasonably likely to be, individually or in the

aggregate with other changes, effects or developments, materially adverse to: (i) the business, assets, condition (financial or otherwise), operating results, operations or business prospects of the Group taken as a whole; or (ii) the ability of the Company to consummate the transactions contemplated hereunder in accordance with the terms of this Agreement (excluding any such adverse change, effect or development which has been cured);

- “New Profit Stakeholders”** Tack Fat Swimwear Manufacturing Limited (In Liquidation), CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited) and Noble Group Investment Limited and any other Person that may be identified during the restructuring process;
- “Noteholder”** at any time in respect of a Convertible Note the person who is for the time being the registered holder of that note;
- “Person”** an individual, partnership, company, body corporate, joint stock company, trust, unincorporated association or body of persons (including a partnership or consortium), joint venture or other entity, or a government or any political subdivision or agency thereof;
- “Preferential Creditor”** any creditor of the Company with a Claim against the Company which would be treated as a preferential claim and have priority in a winding-up commenced on 12 November 2008 in Hong Kong pursuant to section 265 of the Companies Ordinance or would have priority in the Cayman Islands pursuant to Section 162 of the Cayman Companies Law;
- “Proceedings”** any claim, legal action or other legal or other proceedings arising out of or in connection with this Agreement;
- “Schemes”** the Hong Kong Scheme and the Cayman Scheme;
- “Scheme Creditors”** Creditors whose Claims are to be dealt with under the Schemes;
- “Shares”** ordinary shares in the share capital of the Company existing on the date of this Agreement or upon completion of the Capital Restructuring, as the case may be;

“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited;
“ Subscription ”	the subscription of the Convertible Notes by the Subscribers on the terms and conditions set out in this Agreement;
“ subsidiary ”	has the meaning ascribed thereto in the Listing Rules; and
“ HK\$ ” and “ cents ”	Hong Kong dollar and cents, respectively.

- (B) In this Agreement, unless the context otherwise requires, any reference to a “Clause” or a “Schedule” or an “Annexure” is a reference to a clause or a schedule or annexure to this Agreement and, unless otherwise indicated, a reference to a Clause includes all the sub-Clauses of that Clause.
- (C) In this Agreement, words importing the singular include the plural and vice versa, words importing gender or the neuter include both genders and the neuter and references to persons include bodies corporate or unincorporate.
- (D) In this Agreement, references to statutory provisions shall be construed as references to those provisions as respectively amended or re-enacted (whether before or after the date hereof) from time to time and shall include any provision of which they are re-enactments (whether with or without modification) and any subordinate legislation made under such provisions, and references to time are to Hong Kong time.
- (E) Save as otherwise expressly stated herein, references to any statute or statutory provision includes a reference to that statute, statutory provision or Listing Rules as from time to time amended, extended or re-enacted.

2. **SUBSCRIPTION OF THE CONVERTIBLE NOTES**

Subject to fulfilment of the Conditions Precedent, the Company shall issue the Convertible Notes at their full face value on the Completion Date for payment of HK\$20,000,000 one year after the Completion Date bearing interest at the rate of 2% per annum and convertible into Shares at a conversion price of HK\$0.01 per Share, to be allocated as to five sevenths pro rata to Key Winner for the benefit of the Scheme Creditors and as to two sevenths to New Profit for the benefit of the New Profit Stakeholders and subject to the provisions of the Conditions.

3. **CONDITIONS PRECEDENT**

- (A) The obligations of the parties hereto to effect Completion shall be conditional upon:-
- (i) the approval by shareholders of the Company in a general meeting of transactions contemplated under the Restructuring Agreement and this Agreement including but not limited to the issue of the Convertible Notes and

the Conversion Shares;

- (ii) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and the Subscribers do not reasonably object) approval for the listing of and permission to deal in the Conversion Shares; and
 - (iii) the conditions precedent of the Restructuring Agreement (other than any conditions precedent relating to this Agreement) having been satisfied or waived in accordance with the terms thereof.
- (B) The Company shall use its reasonable endeavours to procure the fulfilment of the Conditions Precedent as soon as possible and in any event on or before the date specified in Clause 3(C).
- (C) If the Conditions Precedent are not fulfilled on or before the Long Stop Date, this Agreement shall thereupon lapse and become null and void and the parties will automatically be released from all obligations hereunder, save for Clauses 7, 8, 9, 10 and 11 and any liability arising out of any antecedent breaches hereof.

4. **COMPLETION**

Subject to the fulfilment of the Conditions Precedent, Completion shall take place on the Completion Date at 4:00 p.m. at the office of the Provisional Liquidators in Hong Kong and each party to this Agreement shall perform its respective obligations set out in Schedule 1.

5. **SUBSCRIBERS' UNDERTAKINGS**

- (A) Each of the Subscribers represents, warrants and undertakes to the Company that it has full power and authority to enter into this Agreement and taken all corporate action necessary to authorise the execution and performance of this Agreement.
- (B) Each of the Subscribers confirms that it and its ultimate beneficial owners are third parties and are independent of and not acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with the Company or connected persons of the Company and shall, if required to do so, provide a written confirmation of its independence to the Stock Exchange or other relevant regulatory authorities.

6. **TERMINATION**

- 6.1 (A) Without prejudice to any other rights and remedies available at any time to the Subscribers, the Subscribers may, by notice to the Company, terminate this Agreement at any time before the Completion Date if there is a Material Adverse Change prior to the Completion, and to rescind this Agreement.
- (B) Without prejudice to any other rights and remedies available at any time to the Company, the Company may, by notice to the Subscribers, terminate this

Agreement at any time before the Completion Date if the Restructuring Agreement is terminated pursuant to the terms thereto.

- 6.2 Each party may by notice to the others terminate this Agreement at any time after the Long Stop Date if at that time any Condition Precedent has not been satisfied.
- 6.3 Upon such notice being given pursuant to Clause 6.1 or Clause 6.2, all obligations of the parties under this Agreement, save for Clauses 7, 8, 9, 10 and 11, shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with this Agreement except for any antecedent breach.

7. **NOTICES**

Any notice required or permitted to be given by or under this Agreement shall be in writing and shall be given by delivering it to the relevant party's address or facsimile number shown below:-

If to the Company to:

Tack Fat Group International Limited (Provisional Liquidators Appointed)
c/o FS Asia Advisory Limited
14/F, The Hong Kong Club Building
3A Chater Road
Hong Kong
Facsimile : (852) 2521 7632
Attention : Roderick John Sutton and Fok Hei Yu

If to the Provisional Liquidators to:

Roderick John Sutton and Fok Hei Yu
c/o FS Asia Advisory Limited
14/F, The Hong Kong Club Building
3A Chater Road
Hong Kong
Facsimile : (852) 2521 7632
Attention : Roderick John Sutton and Fok Hei Yu

If to Key Winner to:

Key Winner Holdings Limited
14/F, The Hong Kong Club Building
3A Chater Road
Hong Kong
Facsimile : (852) 2521 7632
Attention : Roderick John Sutton and Fok Hei Yu

If to New Profit to:

New Profit Holdings Limited (In Creditors' Voluntary Liquidation)
c/o FS Asia Advisory Limited
14/F, The Hong Kong Club Building
3A Chater Road
Hong Kong
Facsimile : (852)2521 7632
Attention : Roderick John Sutton and Fok Hei Yu

or to such other address or facsimile number as the party concerned may have been notified to the other party pursuant to this Clause and may be given by sending it by hand to such address or by facsimile transmission to such facsimile number, or to such other address or facsimile number as the party concerned may have notified to the other party in accordance with this Clause. Such notice shall be deemed to be served on the day of delivery or facsimile transmission (or, if the day of delivery or transmission is not a Business Day or if the delivery or transmission is made after 5:00 p.m. Hong Kong time, deemed to be served on the immediately following Business Day) or, if sooner, upon acknowledgement of receipt by or on behalf of the party to which it is addressed.

8. **COSTS AND EXPENSES**

- (A) The Subscribers shall bear all costs and expenses incurred by the Company in connection with the preparation, negotiation and settlement of this Agreement.
- (B) The Company and each of the Subscribers shall bear their own costs in respect of the capital fees or stamp duty (if any) relating to the issue and delivery of the Convertible Notes.

9. **PROVISIONAL LIQUIDATORS**

Each party to this Agreement acknowledges and agrees that:

- (A) the Provisional Liquidators are parties to this Agreement solely for the purpose of obtaining the benefit of each provision of this Agreement in their favour;
- (B) the Provisional Liquidators act as agents of the Company and shall incur no personal liability from acting in the capacity of agents or otherwise, nor shall any claim arise against any of them;
- (C) the Provisional Liquidators and their employers, employees, solicitors, advisers, agents, partners or representatives do not have any personal liability of any kind under, or by virtue of, this Agreement, nor in relation to any related matter or claim, whether in contract, tort or restitution or by reference to any other remedy or right, in any jurisdiction or forum in respect of any of the transactions contemplated in this Agreement;
- (D) the other parties to this Agreement are not relying on any representation, conduct, statement or silence on the part of the Provisional Liquidator or any of their employees, solicitors, advisers, agents, partners or representatives in relation to any matter or circumstance and whether or not arising out of or under this Agreement or any of the transactions contemplated by this Agreement; and

- (E) all acknowledgements or agreements as to, or provisions of, exclusions of liability or indemnity in favour of the Provisional Liquidators shall continue to be effective notwithstanding the Provisional Liquidators resigning from or otherwise ceasing to hold office and (where the context permits) shall mean and include their present and future firm or firms, partners and employees, and any legal entity or partnership using in its name the words, any successor or merged firm and the partners, shareholders, officers and employees of the entity or partnership.

10. **GENERAL**

- (A) The Company shall notify the Subscribers of any public announcement or communication to the press, the Stock Exchange or the shareholders of the Company concerning the Company and/or its Subsidiaries, made by or on behalf of the Company between the date hereof and the Completion Date, which is material in relation to the Subscription.
- (B) Subject to the terms of the Restructuring Agreement, any time, date or period mentioned in this Agreement may be extended by agreement between the Company and the Subscribers but, as regards any time, date or period originally fixed or any date or period so extended as aforesaid, time shall be of the essence.
- (C) No failure or delay by either party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by either party of any breach of any provision hereof shall be deemed to be a waiver of any subsequent breach of that or any other provision hereof.
- (D) Neither party hereto shall assign any of its rights under this Agreement (all of which shall be incapable of assignment without the prior written consent of the other party) or purport to do so. This Agreement shall be binding on and enure for the benefit of each party's successors and permitted assigns.
- (E) This Agreement may be executed in any number of counterparts by the parties hereto on separate counterparts, each of which when executed shall constitute an original and all of which when taken together shall constitute one and the same document.
- (F) This Agreement constitutes the entire agreement between the parties with respect to its subject matter (neither party having relied on any representation or warranty made by the other party which is not contained in this Agreement) and no variation of this Agreement shall be effective unless made in writing and signed by all of the parties.
- (G) Save for the Restructuring Agreement, this Agreement supersedes all and any previous agreements, arrangements or understandings between the parties relating to the matters referred to in this Agreement and all such previous agreements, understanding or arrangements (if any) shall cease and determine with effect from the date hereof.

- (H) If at any time any provision of this Agreement is or becomes illegal, void or unenforceable in any respect, the remaining provisions hereof shall in no way be affected or impaired thereby.
- (I) The parties hereto shall do or execute so procure to be done or executed all such further acts, deeds, things and documents as may be necessary to give effect to the terms of this Agreement.

11. **GOVERNING LAW AND JURISDICTION**

This Agreement is governed by and shall be construed in accordance with the laws of Hong Kong and each party hereby submits to the non-exclusive jurisdiction of the courts of Hong Kong as regards any claim or matter arising under this Agreement.

IN WITNESS whereof this Agreement has been duly executed on the date first above written.

SCHEDULE 1

Completion Requirements

1. Obligations of the Company

At Completion, the Company shall deliver to the Subscribers:-

- (a) a certified copy of the board resolution of the Company approving and authorising the execution and completion of this Agreement and the issue of the Convertible Notes upon the terms and subject to the Conditions;
- (b) a certified copy of the permission to deal in the Conversion Shares from the Listing Committee of Stock Exchange referred to in Clause 3(A)(ii);
- (c) an original certificate issued by the Company confirming that the conditions as set out in Clause 3(A)(iii) have been satisfied (except for those having been waived by the Subscribers); and
- (d) the Convertible Note(s) duly issued in favour of each of the Subscribers or its nominee(s) as each of the Subscribers shall notify to the Company in writing not less than one Business Days prior to Completion.

2. Obligations of the Subscribers

At Completion, against compliance by the Company with its obligations under item 1 of the Completion requirements in Schedule 1, each of the Subscribers (or its nominees) shall, in respect of the Convertible Notes make or procure the making of payments in Hong Kong dollars of the aggregate amount of the Convertible Notes and such payment shall be deemed to be fully satisfied upon Completion.

SCHEDULE 2

Form of Convertible Notes

Certificate No. :

TACK FAT GROUP INTERNATIONAL LIMITED
(Incorporated in the Cayman Islands with limited liability)

HK\$[●] 2% CONVERTIBLE NOTE

(Forming part of a series of convertible notes of aggregate principal amount of up to HK\$20,000,000 issued pursuant to the Memorandum and Articles of Association of TACK FAT GROUP INTERNATIONAL LIMITED (the “**Company**”) and a resolution of its Board of Directors passed on [●].)

THIS IS TO CERTIFY that the Company will pay to [name] of [address], being the holder (the “**Noteholder**”) of this Note, on the Maturity Date (as defined in Condition 10) or on such earlier date as such sum may become payable in accordance with the Terms and Conditions endorsed hereon (the “**Conditions**”) upon presentation of this Note the principal sum of HK\$[●] together with such additional amounts (if any) as may be payable under the Conditions. This Note is issued with the benefit of and subject to the terms and conditions endorsed hereon.

GIVEN under the common seal of Tack Fat Group International Limited on [●].

Director

Secretary/Director

Notes:-

The Note cannot be transferred to bearer on delivery and is transferable only to the extent permitted by Condition 2 of the terms and conditions thereof. This Note must be delivered to the Secretary of the Company for cancellation and the re-issue of an appropriate certificate in the event of any such transfer.

(For endorsement in the event of partial conversion)

<u>Date</u>	<u>Amount Converted</u>	<u>Amount Outstanding after Conversion</u>
-------------	-------------------------	--

TERMS AND CONDITIONS OF THE NOTES

The Notes shall be held subject to and with the benefit of the terms and conditions set out below. In the Notes, the words and expressions set out below shall have the meanings attributed to them below unless the context otherwise requires:-

“authorised denomination”	has the meaning ascribed thereto in Condition 1.1;
“Business Day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business;
“Certificate”	has the meaning ascribed thereto in Condition 1.1;
“Conditions”	the terms and conditions attached to or endorsed on the Notes and “Condition” refers to the relative numbered paragraph of the Conditions;
“Conversion Date”	the date on which the Conversion Rights are exercised in accordance with the Conditions;
“Conversion Notice”	has the meaning ascribed thereto in Condition 7;
“Conversion Period”	has the meaning ascribed thereto in Condition 5.1;
“Conversion Price”	has the meaning ascribed thereto in Condition 5.1;
“Conversion Rights”	the rights attached to the Notes to convert the principal amount or a part thereof into Shares;
“Conversion Shares”	the Shares to be issued by the Company under the Notes (whether upon exercise by a Noteholder of the Conversion Rights, or otherwise pursuant to the Conditions);
“Current Market Price”	in respect of a Share at a particular date the average of the closing prices published in the Stock Exchange's Daily Quotations Sheet for one Share (assuming a transaction in a board lot) for the five consecutive dealing days ending on and including the dealing day last preceding such date; provided that if at any time during the said five dealing days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:- (i) if the Shares to be issued will not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purposes of this definition be deemed to be

the amount thereof reduced by an amount equal to the amount of that dividend per Share; and

(ii) if the Shares to be issued will rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the Shares on each of the relevant five dealing days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share;

“Events of Default”	has the meaning ascribed thereto in Condition 9;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maturity Date”	has the meaning ascribed thereto in Condition 11;
“Minimum Conversion Price”	has the meaning ascribed thereto in Condition 5.1;
“Notes”	convertible notes in the aggregate principal amount to HK\$20,000,000 issued or to be issued by the Company of which this Note form part with the benefit of and subject to the provisions of these Conditions and “Note” shall be construed accordingly;
“Noteholder”	at any time the person whose name appears in the Register as the holder of that Note at the relevant time;
“Register”	the register of holder of Notes to be maintained by the Company pursuant to Condition 1.2;
“Registration Date”	in respect of a Note presented for conversion means the date on which the person entitled thereto is first registered as the holder thereof in the Company's register of members in respect of the relevant Conversion Shares;
“Relevant Cash Dividend”	has the meaning ascribed thereto in Condition 6.1(ii);

“Scrip Dividend”	has the meaning ascribed thereto in Condition 6.1(ii);
“Share Option Scheme”	any scheme approved in general meeting by the shareholders of the Company for the issue or grant to the Directors or employees of the Company and/or any Subsidiary of Shares or options to subscribe for Shares;
“Shareholders”	holders of Shares who are registered in the register of members of the Company ;
“Shares”	the ordinary shares in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Subsidiary”	has the meaning ascribed thereto in the Listing Rules;
“trading day”	any day on which the Stock Exchange is open for the business of dealing in securities; and
“HK\$” and “cents”	Hong Kong dollar and cents, respectively.

The expressions “Company” and “Noteholders” shall where the context permits include their respective successors and permitted assigns and any persons deriving title under them.

In these Conditions, unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender or the neuter include both genders and the neuter; references to this Agreement or any issue document shall be construed as references to such document as the same may be amended or supplemented from time to time. Condition headings are inserted for reference only and shall be ignored in construing the Notes.

1. Form, Denomination and Title

- 1.1 The Notes are issued in registered form in denominations of HK\$1,000,000 and integral multiples thereof or, subject to the prior consent of the Company, in such denominations as the Noteholder may request the Notes to be issued in the name of the Noteholder (or its nominee(s) as it may direct in writing) (“**authorised denominations**”). A certificate (each, a “**Certificate**”) will be issued to each Noteholder in respect of its registered holding of Notes. Each Note and each Certificate shall have an identifying number which shall be recorded on the relevant Certificate and in the Register. The Notes are not issuable in bearer form.
- 1.2 The Company shall cause to be kept a register on which shall be kept the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and exchanges of Notes. Title to the Notes passes only by registration in the Register.
- 1.3 The obligations of the Company arising under the Notes constitute general, unsecured obligations of the Company and rank, and will rank equally among themselves and 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 Notes.

2 Transfer

- 2.1 None of the Notes (nor any part thereof) can be transferred without the prior written consent of the Company, except by a transfer to [subsidiaries (as that term defined in the Listing Rules) or the holding company (as that term defined in the Companies Ordinance (Cap.32 of the Laws of Hong Kong))] of the Noteholder. The Notes shall not be transferred by the Noteholder, without the prior written consent of the Company, to any connected person (as defined in the Listing Rules) of the Company. Upon the grant of written consent by the Company and subject to any conditions, approvals, requirements and any other provisions, the Notes may be transferred if, and only if, the transfer is in accordance with the provisions of this Condition 2.
- 2.2 Subject to Condition 2.1, any transfer of any Note shall be in respect of the whole or any part (in an authorised amount) of the outstanding principal amount of that Note. Title to the Notes passes only upon the entry on the Register of the relevant transfer. The Noteholder shall (except as otherwise required by law) be treated as the absolute owner of the relevant Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the certificate issued in respect of it) and no person will be liable for so treating the Noteholder.
- 2.3 In relation to any transfer of Notes permitted under or otherwise pursuant to this Condition 2:-
- (a) the relevant Note may be only transferred by execution of a form of transfer (the “**Transfer Form**”) which shall be in any usual or common form under the hand of the transferor/assignor and the transferee (or their duly authorised representatives) or, where either the transferor or transferee is a corporation, under its common seal (if any) and under the hand of one of its officers duly authorised in writing or otherwise executed by a duly authorised officer thereof. In this Condition “transferor” shall, where the context permits or requires, include joint transferors and be construed accordingly;
 - (b) the relevant Note must be delivered for cancellation to the Company accompanied by (i) a duly executed Transfer Form; (ii) in the case of the execution of the Transfer Form on behalf of a corporation by its officers, the authority of that person or those persons to do so; (iii) such other evidence as the Company may reasonably require if the Transfer Form is executed by some other person on behalf of the Noteholder; and (iv) such other evidence (including legal opinions) as the Company may reasonably require to support that the conditions and requirements of this Condition 2 are satisfied. The Company shall, within 14 Business Days of receipt of such documents from the Noteholder, enter the transfer on the Register and cancel the existing Note and issue a new Note under the seal of the Company, in favour of the transferee.
- 2.4 Where only part of the principal amount of a Note (being an authorised denomination)

in respect of which a Certificate is issued is to be transferred or converted, a new Certificate in respect of the Notes not so transferred or converted shall be issued, within three Business Days of deposit or surrender of the original Certificate.

- 2.5 Registration of transfers of Notes (or parts thereof in authorised denominations) shall be effected without charge by or on behalf of the Company, but upon payment (or the giving of such indemnity as the Company may reasonably require) in respect of any taxes, duties or other government charges which may be imposed in relation to it.
- 2.6 The Company shall not be required to register the transfer of a Note (or any part thereof) (i) during the period of 15 days up to and including the due date for any payment of principal or premium, if any, on that Note; (ii) in respect of which a Conversion Notice has been given in accordance with Condition 7.
- 2.7 Any legal and other costs and expenses (other than the registration costs arising from the transfer of the Notes) which may be incurred by the Company in connection with any transfer or assignment of any of the Notes or any request therefor shall be borne by the relevant Noteholders.

3. Interest

- (a) Subject to Conditions 3 (b) and 3(c), the Notes shall bear interest from the date of issue at the rate of 2.0% per annum of the principal amount of the Notes outstanding from time to time, which subject as provided herein, will be payable by the Company on the Maturity Date.
- (b) On Maturity Date or such earlier date of repayment as notified by the Noteholder under Condition 9 or Condition 10, the Company shall pay interest on the outstanding principal amount of the Notes for the period from the issue date of the Notes to the Maturity Date or the earlier date of repayment (as the case may be).
- (c) In the event that the Noteholder has converted part or whole of the principal amount of the Notes, the Noteholder shall be entitled to interest in respect of such part or whole, as the case may be, of the principal amount of the Notes for the period from the issue date of the Notes to the Conversion Date concerned.
- (d) Whenever it is necessary to compute an amount of interest in respect of the Notes for a period of less than a full year, such interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days in each month and, in the case of incomplete month, the number of days elapsed.

4. Payments

- 4.1 All payments by the Company hereunder shall be made in immediately available funds free and clear of any withholdings or deductions for any present or future taxes, imposts, levies, duties or other charges. In the event that the Company is required by law to make any such deduction or withholding from any amount paid, the Company shall pay to the Noteholders such additional amount as shall be necessary so that the relevant Noteholder continues to receive a net amount equal to the full amount which it would have received if

such withholding or deduction had not been made.

- 4.2 All payments by the Company shall be made, not later than 4:00 p.m. (Hong Kong time) on the due date, by remittance to such bank account in Hong Kong as the relevant Noteholder may notify the Company from time to time provided that the relevant Noteholder shall be responsible for any loss of interest payable in respect of the Note due to it giving inaccurate or late remittance instructions.
- 4.3 If the due date for payment of any amount in respect of the Notes is not a Business Day, the Noteholders shall be entitled to payment on the next following Business Day in the same manner together with interest accrued in respect of any such delay.
- 4.4 In case where the Company defaults in the payment of any sum due and payable under the Note, the Company shall pay interest to Noteholder from the due date to date of actual payment in full calculated at 5% per annum on a daily basis.

5. Conversion

- 5.1 The Noteholders shall have the right, and the rights of the Company pursuant to Condition 5.2, in the manner provided in Condition 7, to convert the whole or any part (in the authorised denominations) of the outstanding principal amount of their Notes into Shares at any time during the period commencing on the date of issue of the Notes and ending on a date being seven days before (and excluding) the Maturity Date (the “**Conversion Period**”) at the conversion price of HK\$0.01 per Share (“**Conversion Price**”), which Conversion Price shall be adjusted from time to time pursuant hereto and provided however that the Conversion Price shall not be less than the par value of a Share (the “**Minimum Conversion Price**”).
- 5.2 No fraction of a Share shall be issued on conversion and no amount in lieu thereof shall be refunded to the relevant Noteholder. Shares issued upon conversion shall rank pari passu in all respects with all other existing Shares outstanding at the Conversion Date and the Noteholder shall be entitled in respect of its Conversion Shares to all dividends and other distributions the record date of which falls on a date on or after the Conversion Date.
- 5.3 Delivery to the Company of Conversion Notice shall constitute a representation and warranty by the Noteholder that all steps necessary to be taken by it under any relevant laws and the rules of any relevant stock exchange to permit the relevant exercise and lawfully to acquire the relevant Conversion Shares have been taken by it.

6. Adjustments

- 6.1 Subject as hereinafter provided such in particular Condition 6.8, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of the following provisions, it shall fall within the first of the applicable provisions to the exclusion of the remaining provisions:-

- (i) Consolidation or Subdivision:

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction: -

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

where:

A is the nominal amount of one Share immediately after such alteration;
and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(ii) Capitalisation of Profits or Reserves:

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received in cash (“**Scrip Dividend**”), the Conversion Price shall be adjusted in the case of an issue of Shares other than by way of Scrip Dividend by multiplying the Conversion Price in force immediately before such issue by the following fraction:-

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

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue; and

in the case of an issue of Shares by way of a Scrip Dividend the Current Market Price of which Shares exceeds 110 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount per Share of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the number of Shares issued in respect of each existing Share in lieu of the whole, or the relevant part of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an approved adviser shall certify to the Company is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares.

(iii) Capital Distribution:

If and whenever the Company shall pay or make any Capital Distribution to the Shareholders (except where the Conversion Price falls to be adjusted under sub-paragraph (ii) above (or falls within sub-paragraph (ii) above but no adjustment falls to be made), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such Capital Distribution by the following fraction:-

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

where:

A is the Current Market Price of one Share on the dealing day last preceding the date on which the Capital Distribution is publicly announced; and

B is the fair market value on the date of such announcement, as determined in good faith by an approved adviser, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made.

(iv) Rights Issues of Shares or Options Over Shares:

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants

or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent. of the Current Market Price per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:-

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

(v) Right Issues of Other Securities:

If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:-

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

where:

A is the Current Market Price of one Share on the last dealing day preceding the date on which such issue or grant is publicly announced; and

B is the fair market value on the date of such announcement as determined in good faith by an approved adviser, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

(vi) Issues at less than Current Market Price:

If and whenever the Company shall issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or on the issue or grant of (otherwise than as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 90 per cent. of the Current Market Price on the dealing day last preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:-

$$\frac{A + B}{C}$$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(vii) Other issues at less than Current Market Price:

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (vii), if and whenever the Company or any Subsidiary (otherwise than as mentioned in sub-paragraphs (iv), (v) or (vi) above), or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other person shall issue wholly for cash any securities (other than the Notes) which by their terms of issue carry rights of conversion into, or exchange or

subscription for, Shares (or grant any such rights in respect of any existing securities so issued) to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90 per cent. of the Current Market Price per share on the last dealing day preceding the date of 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 such issue (or grant) by the following fraction:-

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such issue (or grant);

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or subscription for or exchange of or upon exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued upon conversion into or subscription for exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of Issue (or grant) of such securities.

(viii) Modification of Rights of Conversion etc:

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the Current Market Price per share on the last dealing day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:-

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon

exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price; and

C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(ix) Other offers to Shareholders:

If and whenever the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other person issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any Subsidiary or such other person pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under sub-paragraphs (iv) to (vii) above), the Conversion Price shall be adjusted by, multiplying the Conversion Price in force immediately prior to such issue by the following fraction:-

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

where:-

A is the Current Market Price of one Share on the last dealing day preceding the date on which such issue is publicly announced; and

B is the fair market value on the date of such announcement, as determined in good faith by an approved adviser, of the portion of the relevant offer attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

(x) Other Events:

If the Company considers that it would be appropriate for an adjustment to be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6.1, the Company shall at its own expense, request an approved adviser to determine (acting as experts) as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (provided that the adjustment would result in a reduction in the Conversion Price) shall be

made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this Condition 6.1(x) if the approved adviser is so requested to make such a determination; provided that where the circumstances giving rise to any adjustment pursuant to this Condition 6.1 have already resulted or will result in an adjustment to the Conversion Price or where any other circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6.1 as may be advised by the approved adviser in question to be in their opinion appropriate to give the intended result.

6.2 Calculation of Consideration Receivable

For the purpose of any calculation of the consideration receivable pursuant to sub-paragraphs (vi), (vii) and (viii) of Condition 6.1, the following provisions shall apply:-

(i) Issue of Shares for Cash:

the aggregate consideration receivable for Shares issued for cash shall be the amount of such cash provided that in no case shall any deduction be made for any commission or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(ii) Issue of Shares on Conversion or Exercise of Securities:

(x) the aggregate consideration receivable for the Shares to be issued upon the conversion into or subscription for or exchange of, any securities shall be deemed to be the consideration received or receivable by the Company for any such securities and (y) the aggregate consideration receivable for the Shares to be issued upon the exercise of rights of subscription attached to any securities shall be deemed to be that part (which may be the whole) of the consideration received or receivable by the Company for such securities which is attributed by the Company to such rights of subscription or, if no part of such consideration is so attributed, the fair market value of such rights of subscription as at the date of announcement of the terms of issue of such securities (as determined in good faith by an approved adviser, plus in the case of each of (x) and (y) above, the additional minimum consideration (if any) to be received by the Company upon the conversion or exchange of such securities, or upon the exercise of such rights of subscription attached thereto (the consideration in all such cases to be determined subject to the proviso in sub-paragraph (i) of this paragraph (C)) and- (z) the consideration per Share receivable by the Company upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities shall be the aggregate consideration referred to in (x) or (y) above (as the case may be) converted into Hong Kong dollars if such consideration is expressed in a currency other than Hong Kong dollars at such rate of exchange as may be determined in good faith by an approved adviser to be the spot rate ruling at the close of business on the date of announcement of

the terms of issue of such securities, divided by the number of Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate.

6.3 More than One Event in Quick Succession:

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an approved adviser the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by an approved merchant bank to be in their opinion appropriate in order to give such intended result.

6.4 Employee Share Schemes:

No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including executive directors) of the Company or any Subsidiary pursuant to any employee share scheme .

6.5 Non-cash Consideration:

No adjustment will be made in respect of an issue by the Company or any Subsidiary of securities convertible into or rights to acquire Shares in consideration in whole or in part of the acquisition of any other securities, assets or business.

6.6 Certificate Conclusive:

If any doubt shall arise as to the appropriate adjustment to the Conversion Price a certificate of an approved merchant bank who shall act as experts in accordance with Condition 13, shall be conclusive and binding on all concerned save in the case of manifest or proven error.

6.7 Rounding and Minor Adjustments:

On any adjustment, the resultant Conversion Price, if not an integral multiple Hong Kong cents, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustments shall be given to the Noteholders in accordance with Condition 14 as soon as practicable after the determination thereof.

6.8 No Discount to Par Value:

The Conversion Price may not be adjusted or reduced so that the Conversion Price is lower than the par value of the Shares or, on conversion of Notes, Shares would fall to be issued at a discount to their par value and if the Conversion Price as adjusted based

on this Condition 6 is lower than the par value of the Shares, the adjusted Conversion Price shall be equal to the par value of the Shares.

6.9 Post-Record Date Adjustments:

If the Registration Date in relation to any Note shall be after the record date for any such issue, distribution or grant (as the case may be) as is mentioned in subparagraphs (ii) to (v) and (ix) of this Condition 6.1, or any such issue as is mentioned in sub-paragraphs (vi) and (vii) of Condition 6.1 which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under Condition 6.1, the Company shall (conditional upon such adjustment becoming effective) procure that there shall be issued to the converting Noteholder or in accordance with the instructions contained in the Conversion Notice (subject to any applicable exchange control or other laws or other regulations) such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Noteholder, is equal to the number of Shares which would have been required to be issued on conversion of such Note if the relevant adjustment to the Conversion Price had in fact been made and become effective immediately before the relevant record date. Such additional Shares will be allotted as at, and within one month after, the relevant Conversion Date or, if the adjustment results from the issue of Shares, the date of issue of Shares. Certificate for such Shares will be despatched within such period of one month.

6.10 For the purposes of this Condition 6:-

“announcement” includes the release of an announcement to the press or the delivery or transmission by telephone, telex or otherwise of an announcement to the Stock Exchange and “date of announcement” shall mean the date first appearing on such announcement;

“approved adviser” means independent financial advisers or independent auditors selected by the Company for the purpose of providing a specific opinion or calculation or determination hereunder;

“Capital Distribution” (without prejudice to the generality of that phrase) includes 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 not automatically be so deemed if it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for all financial periods after 31 March, 2009 as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each financial period ended 31 March;

“issue” shall include allot;

“reserves” includes unappropriated profits; and

“rights” includes rights in whatsoever form issued.

7. Procedure for Conversion

- 7.1 The Conversion Rights attaching to the Notes may, subject as provided herein, be exercised on any Business Day during the Conversion Period by the relevant Noteholder giving written notice (a “**Conversion Notice**”) to the Company in accordance with Condition 14 stating the intention of the Noteholder to convert all or part (being an authorised denomination of his Note into Shares) specifying the principal amount of the Note to which such notice relates. Any such Conversion Notice shall be in the form annexed in Annexure I to these Conditions. Once delivered, a Conversion Notice shall be irrevocable and take effect immediately upon the Conversion Date. If a Conversion Notice is not duly completed or is inaccurate, the Company may reject the same and any intended conversion shall not be treated as taking effect until a duly completed, accurate Conversion Notice is received by the Company.
- 7.2 The Company shall be responsible for payment of all taxes and stamp duty, issue and registration duties (if any) and Stock Exchange levies and charges (if any) arising on any conversion.
- 7.3 The Shares arising on conversion shall be allotted and issued by the Company, credited as fully paid, to the relevant Noteholder or as it may direct within 10 Business Days after, and with effect from, the date the conversion notice is served by the Noteholder against delivery of the Note (which the Noteholder is obliged to deliver to the Company following such Conversion) and certificates for the Shares to which the Noteholder by ordinary mail, at the risk and expense of, the Noteholder.
- 7.4 At the same time as it delivers to the Company's principal place of business in Hong Kong specified in Condition 15 a duly executed Conversion Notice, the Noteholder shall also deliver (i) in the case of the execution of the Conversion Notice on behalf of a corporation, the authority of person or persons executing to do so; (ii) such other evidence as the Company may reasonably require if the conversion notice is executed by some other person on behalf of the Noteholder; (iii) such other evidence (including legal opinions) as the Company may reasonably require to support that the conditions and requirements of this Condition 7 are satisfied; and (iv) the Note and (in the event of a partial conversion) shall join in endorsing the Note with the amount of the relevant sum converted.

8. Protection of the Noteholder

So long any Notes are outstanding, unless a Noteholder holding, or Noteholders together holding, not less than 51% of the then outstanding principal amount of the Notes gives his or their prior written approval otherwise:-

- (a) the Company shall use its reasonable endeavours (i) to maintain a listing for all the issued Shares on the Stock Exchange and (ii) to obtain and maintain a listing on the Stock Exchange for the Conversion Shares;
- (b) the Company shall from time to time keep available for issue, free from pre-emptive rights, out of its authorised but unissued capital sufficient Shares to satisfy in full the Conversion Rights and the terms of any other securities for the time being in issue which are convertible into or have the right to subscribe Shares;

- (c) the Company shall provide the Noteholders with a copy of its annual reports, annual financial statements, interim reports and circulars sent by the Company to its shareholders within seven Business Days after the Company sends the same to its shareholders;
- (d) the Company shall ensure that all Conversion Shares will be duly and validly issued fully paid and registered;
- (e) the Company shall pay all fees, capital and stamp duties payable in Hong Kong, if any, in respect of the issue of Shares upon conversion of all or part of the principal amount of the Notes;
- (f) as soon as possible and in any event not later than seven Business Days after the announcement of any event which gives rise to adjustments pursuant to Condition 6 (or, if later, as soon as the relevant adjustment thereunder can reasonably be determined), give notice to the Noteholders advising them of the date on which the relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising its Conversion Rights pending such date;
- (g) 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 Notes or for the listing of and permission to deal in the Conversion Shares and the continued compliance thereof; and
- (h) in the case of any consolidation, amalgamation or merger of the Company with any other corporation (other than a consolidation, amalgamation or merger in which the Company is a continuing corporation), or in the case of any sale or transfer of all, or substantially all, of the assets of the Company, the Company will forthwith notify the Noteholders of such event in accordance with Condition 15 and (so far as legally possible) cause the corporation resulting from such consolidation, amalgamation or merger or the corporation which shall have acquired such assets, as the case may be, to execute a deed to ensure that the holder of this Note and of each other Note then outstanding will have the right (during the period in which such Note shall be convertible) to convert such Note into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of such number of Shares which would have become liable to be issued upon conversion of such Note immediately prior to such consolidation, amalgamation, merger, sale or transfer. The above provisions of this Condition 8(h) shall apply in the same way to any subsequent consolidations, amalgamations, mergers, sales or transfers.

9. Events of Default

If any of the events (“**Events of Default**”) specified below occurs, the Company shall within 10 days of such event occurring give notice to the Noteholders. Within 10 days after the Company despatches the notice, a Noteholder holding, or Noteholders together holding, at least 51% of the then outstanding principal amount of Notes may give notice to the Company that the Notes are immediately due and payable, whereupon they shall

become immediately due and payable in the amounts which would otherwise be due on the Maturity Date.

The following are the events referred to in the immediately preceding paragraph:

- (a) a default is made for more than seven days in the payment of the principal when and as the same ought to be paid in accordance with these Conditions;
- (b) a default is made by the Company in the performance or observance of any covenant, condition or provision of the Notes and on its part to be performed or observed (other than the covenant to pay the principal of the Notes) and such default continues for the period of 30 days next following the service by a Noteholder, or Noteholders together, holding at least 51% of the then outstanding principal amounts of Notes on the Company of notice requiring such default to be remedied;
- (c) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by a Noteholder, or Noteholders together, holding at least 51% of the then outstanding principal amounts of Notes;
- (d) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of the Company or any Subsidiary;
- (e) a distress, execution or seizure order before judgement is levied or enforced upon or sued out against the whole or a material part of the property of the Company or any Subsidiary (as the case may be) and is not discharged within 40 days thereof;
- (f) the Company or any Subsidiary is unable to pay its debts as and when they fall due or the Company or any Subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors;
- (g) proceedings shall have been initiated against the Company or any Subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 30 days;
- (h) any event occurs which has an analogous effect to any of the events referred to in paragraphs (a) to (g) above;
- (i) the listing of the Shares of the Company is withdrawn from the Stock Exchange;
or
- (j) trading of the Shares of the Company are suspended for a consecutive period of more than 30 Business Days.

For the purpose of this Condition 9 only, a “Subsidiary” means any Subsidiary (as defined in Condition 2) of the Company which is a major operating subsidiary and whose total assets (based on its latest audited financial statements) represents more than 50% of the total assets of the Company, as stated in the latest audited consolidated financial statements of the Company.

10. Redemption

- (a) The Note may be redeemed in amounts of HK\$1,000,000 or integral multiples thereof or in such denominations as determined by the Company (“**Redemption Amount**”) plus any interest accrued and unpaid thereof in accordance with Condition 3 at the option of the Company on any Business Day prior to the Maturity Date by giving not less than seven (7) Business Days’ prior written notice to a Noteholder in the form set out in Appendix II (“**Redemption Notice**”). A Redemption Notice shall be irrevocable once given by the Company to the Noteholder.
- (b) Upon payment of the Redemption Amount in accordance with Condition 10(a), the Note redeemed by the Company will be forthwith cancelled and may not thereafter be reissued or resold. In the case of a partial redemption by the Company, upon completion of the partial redemption, the Company shall issue a Note representing the remaining principal amount not redeemed in accordance with Condition 10(a) above to the Noteholder.
- (c) For the avoidance of doubt, the right of redemption by the Company under this Condition 10 may be exercised by the Company at its absolute discretion and may be exercised by the Company on any of the Noteholders exclusive of the other Noteholders.

11. Repayment

Subject as provided herein, the outstanding principal amount of the Notes, unless previously converted into Shares or repaid in accordance with these Conditions, be repaid subject to and in accordance with the terms of the Notes on the first anniversary of the issue date of the Notes (the “**Maturity Date**”) at 100% of the outstanding principal amount of the Notes. The Notes may not be repaid or redeemed otherwise than in accordance with these Conditions.

12. Voting

The Noteholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being Noteholders.

13. Experts

In giving any certificate or making any adjustment hereunder, any approved adviser 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 Noteholders

and all persons claiming through or under them respectively.

14. Replacement Notes

If the certificate for a Note is lost or mutilated the Noteholder shall forthwith notify the Company and a replacement certificate for the Note shall be issued if the Noteholder provides the Company with: (i) the mutilated certificate for the Note; (ii) a declaration by the Noteholder or its officer that the Note had been lost or mutilated (as the case may be) or other evidence that the certificate for the Note had been lost or mutilated; and (iii) an appropriate indemnity in such form and content as the Company may reasonably require. Any certificate for the Note replaced in accordance with this Condition shall forthwith be cancelled. All reasonable administrative costs and expenses associated with the preparation, issue and delivery of a replacement certificate for the Note shall be borne by the relevant Noteholder.

15. Notices

Any notice required to be given under these Conditions shall be deemed duly served if left at or sent by registered or recorded delivery post or facsimile to the addressee:

- (i) in the case of the Noteholders their addresses recorded on the Register;
- (ii) in the case of the Company, its office in Hong Kong registered for the purposes of Part XI of the Companies Ordinance;

or such other address as may have been last notified in writing by or on behalf of the Company to the relevant Noteholder or vice versa. Any such notice shall be deemed to be served at the time when the same is left at the address of the party to be served or, if served by post, on the seventh day (not being a Saturday, Sunday or public holiday) next following the day of posting or, if served by facsimile, upon transmission and report confirming successful transmission.

16. Amendment

Subject to the approval by the Stock Exchange (if required), the terms and conditions of the Notes may be varied, expanded or amended by agreement in writing between the Company and a Noteholder holding, or Noteholders together holding, at least 51% of the then outstanding principal amount of the Notes and any such variation, expansion or amendment shall be effective and binding upon all Notes and all Noteholders.

17. Governing Law and Jurisdiction

The Notes and the terms of the Notes are governed by and shall be construed in accordance with the laws of Hong Kong.

CONVERSION NOTICE

To be attached to Note Conditions

The undersigned hereby irrevocably elects to convert all/part of the Note specified below into shares of HK\$0.01 each, of TACK FAT GROUP INTERNATIONAL LIMITED (the “**Company**”) in accordance with the Conditions and the terms below.

Note No.: _____

Amount to be converted: _____

Conversion Date: _____
date of giving notice unless otherwise agreed

Principal Amount of
Note to be Converted: _____

Applicable Conversion Price: _____

Name in which Shares to be issued: _____

Address of shareholder: _____

Signature of Noteholder: _____

Name of Noteholder: _____

APPENDIX II

FORM OF REDEMPTION NOTICE

Date : [•]

We, Tack Fat Group International Limited (the “**Company**”), hereby irrevocably give notice to the Noteholder named hereunder to redeem all/part (*please delete where appropriate) of the Note specified, of the Company in accordance with the Conditions and the terms below.

Principal amount of the
Note :

Principal Amount of the
Note to be Redeemed :

Principal Amount of the
Note outstanding after
Redemption: :

Name of Noteholder :

Address of Noteholder :

Date of Redemption :

Signed by [•]
for and on behalf of
Tack Fat Group International Limited

Note: Defined terms used in this Notice have the same meanings as in the Certificate and the Conditions issued to the Noteholder by the Company dated [•] 2010.

ANNEXURE

Announcement

SIGNED by)
duly authorised for and on behalf of)
TACK FAT GROUP)
INTERNATIONAL LIMITED)
(PROVISIONAL LIQUIDATORS)
APPOINTED))
in the presence of:-)


TAM CHAK SUN



SIGNED by)
FOK HEI YU)
in the presence of:-)


TAM CHAK SUN




SIGNED by)
duly authorised for and on behalf of)
NEW PROFIT HOLDINGS LIMITED)
(IN CREDITORS' VOLUNTARY)
LIQUIDATION))
in the presence of:-)


TAM CHAK SUN



SIGNED by)
duly authorised for and on behalf of)
KEY WINNER HOLDINGS LIMITED)
in the presence of:-)


TAM CHAK SUN

