

EXECUTION COPY

DATE : - 8 MAR 2006

WISE NEW MANAGEMENT LIMITED

(as Vendor)

and

FLYRICH RESOURCES LIMITED

(as Purchaser)

and

NG PAK TO, PETTO

and

ONG CHOR WEI

(as Warrantors)

**AGREEMENT FOR SALE AND PURCHASE OF
204,000,000 SHARES IN
FX CREATIONS INTERNATIONAL HOLDINGS LIMITED**

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THIS AGREEMENT is dated - 8 MAR 2006

BETWEEN:

- (1) **WISE NEW MANAGEMENT LIMITED**, a company incorporated in the British Virgin Islands and having its registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “**Vendor**”);
- (2) **FLYRICH RESOURCES LIMITED**, a company incorporated in the British Virgin Islands and having its registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “**Purchaser**”);
- (3) (A) **NG PAK TO, PETTO** (Holder of Hong Kong Identity Card No. D602158(2)) care of Workshop A6, 12th Floor, Block A, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Kowloon, Hong Kong; and
(B) **ONG CHOR WEI** (Holder of Hong Kong Identity Card No. P365885(A)) care of Room 1007, 10th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong (each a “**Warrantor**” collectively, the “**Warrantors**”).

WHEREAS:

- (A) FX Creations International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company on 10 January 2002 under the Companies Law and the issued Shares of which are listed on GEM.
- (B) The Group is principally engaged in retail sales of bags and accessories under its brandname “FX Creations”.
- (C) The Vendor and the Purchaser enter into this Agreement for the sale and purchase of the Sale Shares subject to and upon the terms and conditions of this Agreement.
- (D) In consideration of the Purchaser agreeing to enter into this Agreement, the Warrantors have agreed to warrant to the Purchaser that the Warranties are true and accurate in all respects as at the date of Agreement and will continue to be so up to and including Completion subject to and upon the terms and conditions of this Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. INTERPRETATION

1.1 In this Agreement (including the recitals and Schedules), unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to each of them below:

“**Accounts Date**”

31 March 2005

| | |
|-------------------------------|---|
| “Associate(s)” | in relation to a person, means the “ associate(s) ” and “ connected person(s) ” of such person (as these expressions are defined in Chapter 1 and Chapter 20 of the Listing Rules) |
| “Audited Accounts” | the audited consolidated balance sheet of the Group as at the Accounts Date and the audited consolidated profit and loss accounts of the Group for the year ended on the Accounts Date, a copy of which has been separately supplied by the Vendor to the Purchaser prior to the signing of this Agreement |
| “Board” | the board of directors of the Company from time to time |
| “Business Day” | a day (other than a Saturday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “CCASS” | the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited |
| “Code” | the Hong Kong Code on Takeovers and Mergers |
| “Companies Law” | the Companies Law (Law 3 of 1961, as consolidated and revised of the Cayman Islands) |
| “Companies Ordinance” | the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) |
| “Completion” | completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of this Agreement |
| “Corporate Guarantees” | the corporate guarantees (if any) given by the Company and subsisting as at the date of this Agreement, brief details of which have been separately supplied by the Vendor to the Purchaser on the date of this Agreement |
| “Disclosed” | disclosed in a full, fair, specific and accurate manner in this Agreement, the Audited |

Accounts, the Management Accounts, the Previous Announcements and any disclosure in writing in agreed form provided by the Vendor and the Warrantors to the Purchaser prior to the execution of this Agreement

“Dollars” or the sign “HK\$”

Hong Kong dollars

“Encumbrance”

any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same

“Executive”

the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director

“Financial Adviser”

INCU Corporate Finance Limited of Unit 1602, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong or such other financial advisers as may be appointed by the Purchaser to act on its behalf in connection with the Offer

“GEM”

the Growth Enterprise Market of the Stock Exchange

“Group”

the Company and the Subsidiaries and the expressions “**member of the Group**” and “**Group Company**” shall be construed accordingly

“Hong Kong”

the Hong Kong Special Administrative Region of the PRC

“Listing Rules”

the Rules Governing the Listing of Securities on GEM

“Management Accounts”

the unaudited consolidated balance sheet of the Group as at the Management Accounts Date and the unaudited consolidated profit and loss accounts of the Group for the period commencing from 1 April 2005 to the Management Accounts Date, a copy of which

has been separately supplied by the Vendor to the Purchaser prior to the signing of this Agreement

“Management Accounts Date”

the date to which the latest announced unaudited consolidated interim or quarterly results of the Group immediately prior to the date of this Agreement, are made up or relate

“Material Adverse Change (or Effect)”

any change (or effect) which has a material and adverse effect on the financial or trading position, business or property, results of operations or prospects of the Group as a whole

“Offer”

the conditional cash offer to be made by the Financial Adviser on behalf of the Purchaser (subject to Completion) to the Shareholders (other than the Purchaser and parties with whom the Purchaser are acting in concert (as such term is defined in the Code)) for their Shares in compliance with the Code, and the comparable offer to be made in accordance with the Code by the Purchaser for other equity securities of the Company

“Offer Circular”

the composite offer document containing the offeror document and the offeree board circular to be issued and referred to in Clause 8

“Option(s)”

option(s) granted under the Share Option Scheme which remain(s) outstanding as at the date hereof

“PRC”

the People’s Republic of China, which for the purpose of this Agreement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Premises”

the premises leased by the Group as at the date of this Agreement, brief details of which have been separately supplied by the Vendor to the Purchaser prior to the signing of this Agreement

“Previous Announcements”

all public announcements and circulars to Shareholders made by or on behalf of the Company since the date of initial listing of the Shares on GEM of the Stock Exchange

| | |
|---------------------------------|--|
| “Purchaser’s Solicitors” | Michael Li & Co., of 14th Floor, Printing House, 6 Duddell Street, Central, Hong Kong |
| “Sale Shares” | the 204,000,000 Shares registered in the name of and beneficially owned by the Vendor representing about 44.30% of the entire issued share capital of the Company as at the date of this Agreement |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “Share(s)” | share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of Shares |
| “Share Option Scheme” | the share option scheme adopted by the Company on 2 May 2002 |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subsidiaries” | the subsidiaries of the Company as at the date of this Agreement, a list of which has been separately supplied by the Vendor to the Purchaser prior to the signing of this Agreement, and each a “Subsidiary” |
| “Taxation” | all forms of taxation including overseas taxation and all forms of profits tax, interest tax, estate duty and stamp duty and all levies, imposts, duties, charges, fees, deductions and withholdings whatsoever charged or imposed by any statutory, governmental state, provincial, local government or municipal authority whatsoever and the expression “Tax” shall be construed accordingly |
| “Tenancy Agreements” | the tenancy agreements in respect of the Premises and subsisting as at the date of this Agreement and copies of which have been separately supplied by the Vendor to the Purchaser prior to the signing of this Agreement |
| “this Agreement” | this agreement for the sale and purchase of the Sale Shares, as amended from time to time |

“Vendor’s Solicitors”

Vincent T.K. Cheung, Yap & Co., Solicitors of
15th Floor, Alexandra House, 16-20 Chater
Road, Central, Hong Kong

“Warranties”

the representations, warranties and indemnities
given by the Vendor and the Warrantors under
Clause 6 and Schedule 1

1.2 The headings of this Agreement are inserted for convenience only and shall be ignored in construing this Agreement. Unless the context otherwise requires, references in this Agreement to the singular shall be deemed to include references to the plural and vice versa; references to one gender shall include all genders and references to any person shall include an individual, firm, body corporate or unincorporated.

1.3 References in this Agreement to Clauses and Schedules are references to clauses of and schedules to, this Agreement and references to sub-clauses and paragraphs are unless otherwise stated, references to sub-clauses and paragraphs of the Clause or, as appropriate, the Schedule in which the reference appears.

1.4 Reference to any ordinance, regulation or other statutory provision or Stock Exchange rules in this Agreement includes reference to such ordinance, regulation, provision or rule as modified, consolidated or re-enacted from time to time.

1.5 References to this Agreement to time are to Hong Kong time.

1.6 The Schedules and the Recitals shall form part of this Agreement.

2. SALE AND PURCHASE OF THE SALE SHARES

2.1 Subject to and upon the terms and conditions of this Agreement, the Vendor shall sell and the Purchaser shall purchase the Sale Shares with effect from Completion free from all Encumbrances together with all rights now and hereafter attaching thereto including but not limited to all dividends paid, declared or made in respect thereof on or after the date hereof.

2.2 The Purchaser shall not be obliged to purchase any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.

3. CONSIDERATION

3.1 The consideration for the sale and purchase of the Sale Shares (the “**Consideration**”) shall be the sum of HK\$6,120,000, which shall be payable by the Purchaser to the Vendor (or as it may direct) in the manner provided for in Clause 4.4.

3.2 Payment of the Consideration or any part thereof shall be effected by the Purchaser delivering to the Vendor a banker's draft or drafts issued by a licensed bank in Hong Kong and made payable to the Vendor (or as it may direct) for the Consideration.

4. COMPLETION

4.1 Completion shall take place at the office of the Purchaser's Solicitors at 14th Floor, Printing House, 6 Duddell Street, Central, Hong Kong (or such other place as may be agreed between the parties) immediately upon the signing of this Agreement when all the acts and requirements set out in this Clause 4 shall be complied with.

4.2 The Vendor shall:

- (i) deliver or procure the delivery to the Purchaser or to its order of all the following:
 - (1) instrument(s) of transfer and sold notes in respect of the transfer of the Sale Shares duly executed by the registered holder thereof in favour of the Purchaser or its nominees accompanied by the relevant certificates for the Sale Shares or, in the case where all or part of the Sale Shares have been deposited with a CCASS account, evidence to the Purchaser's reasonable satisfaction that such documents have been executed and instructions provided by the Vendor as may be required to effect the transfer of the Sale Shares to such CCASS participants' or investor participants' accounts as may be designated by the Purchaser, and such other documents as may be required to give a good and effective transfer of title to the Sale Shares to the Purchaser or such nominees and to enable the Purchaser or such nominees to become the registered and beneficial holders thereof free from all Encumbrances in accordance with Clause 2.1;
 - (2) copy, certified as true and complete by a director of the Vendor, of resolutions of its board of directors approving this Agreement and all other transactions contemplated under this Agreement and authorising a person or persons to execute the same and all other documents relating or incidental thereto (under seal, where appropriate) for and on its behalf;
 - (3)
 - (i) all statutory records and minute books (which shall be written up to date as at Completion) including all available original copies of the memorandum and articles of association or other equivalent constitutional documents, certificates of incorporation and business registration certificates (if any) and other statutory records of the Company;
 - (ii) the common seal and all rubber stamps, cheque books, cheque stubs and bank statements, receipt books, all current insurance policies, books and accounts, title deeds and evidence of ownership to all assets and all current contracts and all other accounting records of the Company;
 - (iii) all correspondence and other documents belonging to the Company; and

- (iv) copies of all tax returns and assessments of the Company (received where the due dates for payment fell on or before Completion)

or written authorities in favour of the Purchaser for the collection of such documents;

- (4) the undated written resignations of Ong Chor Wei and Ng Pak To, Petto as directors of the Company together with a written acknowledgement under seal from each of them respectively in such form as the Purchaser shall require that he has no claims against the Company or the Group whether by way of compensation, remuneration, severance payments, expenses, damages or otherwise, such resignation to become effective from the earliest time permitted under the Code, the Listing Rules or other rules or regulations applicable to the Company; and
- (5) copy, certified as true and complete by a director of the Company, of resolutions of the Board approving the matter referred to in Clause 4.3.

(ii) the Vendor and the Purchaser shall procure that:

- (1) Ong Chor Wei and Ng Pak To, Petto shall resign as directors of the Company with effect from the earliest time permitted under the Takeovers Code or by the SFC without compensation (and immediately after such time as aforesaid the Vendor shall procure the delivery to the Purchaser of letters of resignation duly executed, under seal, by the said directors); and
- (2) if requested by the Purchaser, the secretary, compliance officer and qualified accountant of the Company shall resign as secretary, compliance officer and qualified accountant of the Company respectively with effect from Completion (and immediately upon Completion the Vendor shall procure the delivery to the Purchaser of the letter of resignation (in form and substance satisfactory to the Purchaser) duly executed, under seal, by the said secretary, compliance officer and qualified accountant).

4.3 The Vendor shall procure a meeting of the Board be held at which:

- (1) such person(s) as the Purchaser shall nominate be appointed as additional director(s), company secretary, compliance officer and qualified accountant of the Company with effect from Completion or where later, the earliest date permitted under the Code, the Listing Rules or other rules or regulations applicable to the Company;
- (2) to the extent permitted by the Takeovers Code or other rules or regulations applicable to the Company, the signatories and bank mandates for all accounts

maintained by the Company with banks and financial institutions shall be amended in such manner as the Purchaser may require; and

- (3) to the extent permitted by the Takeovers Code or other rules or regulations applicable to the Company, such other matters as the Purchaser may reasonably require shall be dealt with and resolved upon to give effect to this Agreement; and
- (4) if so required by the Purchaser, the removal of the Sale Shares from the Hong Kong branch register of members to the principal register of members in the Cayman Islands, the transfer of the Sale Shares on the principal register of members of the Company in the Cayman Islands and the re-transfer of the Sale Shares from the principal register of members in the Cayman Islands to the Hong Kong branch register of members.

4.4 Against compliance and fulfillment of all acts and the requirements set out in Clauses 4.2 and 4.3, the Purchaser shall:

- (1) deliver to the Vendor a banker's draft or drafts issued by a licensed bank in Hong Kong for the Consideration and made payable to the Vendor's Solicitors (or as the Vendor may direct);
- (2) produce to the Vendor instrument(s) of transfer and bought and sold notes in respect of the Sale Shares duly executed by the Purchaser or its nominees and shall procure the due stamping of the same; and
- (3) deliver to the Vendor a copy, certified true and complete by a director of the Purchaser, of resolutions of the board of directors of the Purchaser approving this Agreement and all other transactions contemplated under this Agreement and authorising a person or persons to execute the same and all other documents relating or incidental thereto (under seal where appropriate) for and on behalf of the Purchaser.

4.5 In the event that the Vendor shall without reasonable ground fail to do anything required to be done by it under Clauses 4.2 and 4.3, without prejudice to any other right or remedy available to the Purchaser, the Purchaser may:

- (1) defer Completion to a day not more than 14 days after the date fixed for Completion (and so that the provision of this paragraph (1) shall apply to Completion as so deferred); or
- (2) proceed to Completion so far as practicable but without prejudice to the Purchaser's right to the extent that the Vendor shall not have complied with its obligations hereunder; or
- (3) rescind this Agreement without any liability on its part.

5. WARRANTIES AND UNDERTAKINGS

5.1 Each of the Vendor and the Warrantors hereby represents and warrants to the Purchaser (for themselves and for the benefit of their respective successors) that save as Disclosed, the Warranties are true and accurate in all material respects as at the date of this Agreement and will continue to be so up to and including the time of Completion. Each of the Vendor and the Warrantors acknowledges that the Purchaser in entering into this Agreement is relying on the Warranties. Each of the Vendor and the Warrantors agrees that the Purchaser shall treat each of the Warranties as a condition of this Agreement.

5.2 Each of the Vendor and the Warrantors agrees that the Purchaser may treat each of the Warranties as separate and independent. In addition, each of the Warranties is without prejudice to any other Warranty and, except where expressly otherwise stated, no provision in any Warranty shall govern or limit the extent or application of any other provision in any Warranty.

5.3 In the event that any of the Warranties is breached or (as the case may be) proves to be untrue or misleading in any material respects, the Purchaser shall have the right to claim damages or otherwise take any actions against the Vendor and/or the Warrantors for all losses, liabilities, damages, costs and expenses (including legal expenses) which the Purchaser and its successors and assigns may incur or sustain as a result thereof. Subject to Clause 7 and without prejudice to any other rights and remedies of the Purchaser in relation any such breach of Warranties, the Vendor and/or the Warrantors shall pay to the Purchaser (for the account of the Company): (a) the amount necessary to put the Company into the position which would have existed if the Warranties had not been breached or (as the case may be) had been true and not misleading in all material respects and (b) any reasonable costs and expenses incurred as a result of such breach.

5.4 The Warranties shall survive Completion and the rights and remedies of the Purchaser in respect of any material breach of the Warranties shall not be affected by Completion or by any investigation made by or on behalf of the Purchaser into the affairs of the Group or by facts known to the Purchaser or by the Purchaser rescinding, or failing to rescind this Agreement, or failing to exercise or delaying the exercise of any right or remedy, or by any other event or matter whatsoever, except a specific and duly authorised written waiver or release and no single or partial exercise of any right or remedy shall preclude any further or other exercise.

5.5 The Purchaser shall only be entitled to take action after Completion in respect of any material breach or non-fulfillment of any of the Warranties and Completion shall not in any way constitute a waiver of any right of the Purchaser.

5.6 Each of the Vendor and the Warrantors undertakes in relation to any Warranty which refers to the knowledge, information or belief of the Vendor and the Warrantors that they have made reasonable enquiry into the subject matter of that Warranty and that they do not have the knowledge, information or belief that the subject matter of that Warranty may not be correct, complete or accurate.

5.7 Each of the Vendor and the Warrantors undertakes in favour of the Purchaser that it will:

- (a) in the event a Group Company (the “**Affected Group Company**”) being evicted from the relevant Premises it uses or occupies (the “**Affected Premises**”) by the landlord thereof by reason only of the possible breach (the “**Possible Breach**”) by the Affected Group Company of any provision contained in the relevant Tenancy Agreement regarding prohibition against assignment or sub-letting of the Affected Premises which is triggered by a change in control or deemed change in control of the Affected Group Company, as soon as reasonably practicable and in any event before the expiry of two months after such eviction, jointly and severally secure for the use and occupation by the Affected Group Company of a property (the “**Substitute Premises**”) which is comparable and substantially similar to the Affected Premises in location, area and user, for a term which is in no way shorter than the remaining term under the relevant Tenancy Agreement for the Affected Premises; and
- (b) jointly and severally indemnify and at all times keep each member of the Group effectively indemnified (whether or not a Group Company is or may be entitled to claim reimbursement from any other person), on demand, against any costs, expenses, claims, losses and liabilities which may be incurred or suffered by it by reason only of the occurrence of the Possible Breach and in respect of:
- (i) any difference in rentals between the Substitute Premises and the Affected Premises for the remaining term of the relevant lease for the Affected Premises;
 - (ii) any costs or expenses arising from the relocation of the Affected Group Company’ s business or assets from the Affected Premises to the Substitute Premises;
 - (iii) any operating and business losses which the Affected Group Company may suffer as a direct result of a relocation of its business from the Affected Premises to the Substitute Premises;
 - (iv) any concluded or unconcluded litigation, claim, action, prosecution, arbitration, mediation or alternative dispute resolution relating to the Possible Breach (collectively the “**Proceedings**”); and
 - (v) any dispute with any person(s) not resulting in Proceedings;

and insofar as (iv) and/or (v) above are concerned, whether resulting from an award, judgement or finding or from a negotiated settlement or otherwise.

5.8 The indemnity contained in Clause 5.7 shall not apply if the Affected Group Company suffers an eviction from an Affected Premises on account of any one or more of the following reasons:

- (a) the expiry of the term of the lease for that Affected Premises;

- (b) the Affected Group Company voluntarily surrenders the Affected Premises or otherwise voluntarily gives up possession or use of the Affected Premises;
- (c) the occurrence of any of the following calamities affecting the Affected Premises, namely, fire, flooding or earthquake, or the occurrence of any other event beyond the control of the Affected Group Company which renders the Affected Premises dangerous for use or occupation; and
- (d) any requisition or resumption of any of the Affected Premises in accordance with applicable laws and regulations under which compensation or damages is/are payable to the Affected Group Company.

5.9 Each of the Vendors and the Warrantors hereby covenants with and undertakes to indemnify to the Purchaser, forthwith upon a demand being made by the Purchaser, a sum equal to the amount of any Tax liability of any member of the Group resulting from or by reference to any income, profits or gains earned accrued or received on or before Completion or any event on or before Completion whether alone or in conjunction with other circumstances and whether or not such Tax is chargeable against or attributable to any other person. The indemnity provided for in this clause 5.9 shall not apply:

- (i) to the extent that specific provision or reserve has been made for such Taxation in the Audited Accounts, the Management Accounts and any unaudited consolidated accounts of the Group made up to Completion or for any period before Completion (collectively, the “**Accounts**”);
- (ii) which would not have arisen but for a voluntary act, omission or transaction after the date hereof on the part of the Purchaser or any member of the Group which could reasonably have been avoided or carried out and which was not in the ordinary course of business or which arises from something done or omitted at the Purchaser's written request or with its written consent;
- (iii) which arises as a result of legislation which comes into force after the date hereof and which is retrospective in effect;
- (iv) which arises by reason 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 and which arises in the ordinary course of business after the date hereof; and
- (v) which arises as a result of the Purchaser failing to act or to procure that the relevant member of the Group shall act in accordance with any reasonable request of any of the Vendors and the Warrantors in avoiding, resisting or compromising any Taxation claim after being given a reasonable time in which to comply with any such request.

6. LIMITATION ON THE WARRANTIES AND INDEMNITY CLAIMS

6.1 The liability of the Vendor and the Warrantors in respect of any claims for breach of Warranties shall be limited as follows:

- (a) the maximum aggregate liability of the Vendor and the Warrantors in respect of all claims for breach of Warranties shall not exceed HK\$7,000,000;
- (b) in respect of any claims for breach of Warranties, the Vendor and the Warrantors shall not be liable for any individual claim which does not exceed HK\$100,000 provided that, where the amount or the aggregate amount of one or more of such individual claims exceeds HK\$100,000, the Vendor and the Warrantors shall be liable for the full amount of all such claims; and
- (c) no claim may be brought against the Vendor and/or the Warrantors in respect of a breach of Warranties after 31 August 2006 ("**Warranty Expiry Date**") and each of the Vendor and the Warrantors shall not be liable in respect of a breach of Warranties unless it shall have received written notice from the Purchaser prior to the Warranty Expiry Date giving reasonable details of the relevant claim and any such claim shall (if not previously satisfied, settled or withdrawn) be deemed to have been waived or withdrawn at the expiry of a period of six months after the Warranty Expiry Date unless proceedings in respect thereof shall have already been commenced against the Vendor and/or the Warrantors.

6.2 The Vendor and the Warrantors shall not be liable for the Warranties:

- (1) to the extent that provision or reserve in respect thereof has been made in the Accounts;
- (2) which would not have arisen but for a default on the part of the Purchaser of any of the terms herein;
- (3) which arises as a result of legislation which comes into force after the date hereof with retrospective effect; or
- (4) which arises as a result of a change in accounting policies after Completion.

6.3 The Purchaser shall, upon any claim, action, demand or assessment being made or issued against the Purchaser or the Company which could lead to a claim by the Purchaser for breach of any of the Warranties, give notice thereof to the Vendor and the Warrantors as soon as reasonably practicable.

6.4 Where a claim for breach of any Warranty or undertakings is made under this Agreement and has been settled subsequently, save as expressly reserved in any settlement of such a claim, all other rights and remedies (if any) of the Purchaser in respect of the subject matter thereof, whether under this Agreement or otherwise, are hereby excluded.

6.5 The Purchaser shall (and shall procure that the Company shall) take such action and give such information and assistance in connection with their respective affairs as the Vendor and/or the Warrantors may reasonably request in writing to avoid, dispute, resist, mitigate, compromise, defend or appeal against any claim in respect thereof and any adjudication with respect thereto.

6.6 The amount of any compensation or damages payable by the Vendor and/or the Warrantors in respect of any claim for breach of any Warranty shall be computed after taking into account and giving full credit for:

- (1) any increase in the amount or value of any assets or discharge from or satisfaction of or reduction in any liability of the Company as a result of or arising out of or arising out of or attributable to the fact, matter, event or thing giving rise to any relevant claim;
- (2) any liability of the Company included in the Accounts having been discharged or satisfied for less than the amount attributed thereto;
- (3) any provision for Taxation, bad or doubtful debts or contingent or other liabilities of the Company included in the Accounts having been proved to have been over provided for;
- (4) the amount of any taxation credits, taxation relief or setoffs due to or received by the Purchaser or the Company except to the extent that the same shall have been taken into account in the Accounts.

6.7 If the Vendor and/or the Warrantors shall pay to the Purchaser any amount by way of compensation or damages for breach of the Warranties or any undertakings and the Purchaser or the Company subsequently recover from a third party an amount which represents the full or part of the compensation or damages paid by the Vendor and/or the Warrantors, the Purchaser shall repay to the Vendor and/or the Warrantors such amount previously paid by the Vendor or the Warrantors or so much thereof as does not exceed the amount received from the third party (subject to the deduction from the amount recovered all legal and other expenses reasonably incurred by the Purchaser in recovering from the third party such amount which legal and other expenses cannot also be recovered from such third party).

6.8 None of the Warranties nor any benefit nor claim under this Agreement in respect of any breach of Warranties may be assigned to any person without the prior written consent of the Vendor and the Warrantors.

6.9 If any claim for breach of any Warranty is brought under this Agreement in relation to any liability of the Purchaser and/or the Company which is contingent only, the Vendor and/or the Warrantors shall not be liable to make any payment in respect thereof unless and until such contingent liability becomes an actual liability.

7. THE OFFER

7.1 Subject to Completion and to the Purchaser and persons acting in concert with them incurring a bid obligation under Rule 26 of the Code in relation to the Company, the Purchaser undertakes to the Vendor that the Purchaser will procure the Offer to be made by or on behalf of the Purchaser within such time and on such terms as are required under the Code (subject to any such modification, waiver or extension as may be granted by the Executive) and shall use all reasonable endeavours to procure that the Offer Circular be despatched by or on behalf of the Purchaser as soon as is reasonably practicable after the announcement of the terms thereof and within the time limit required by the Executive and the Code (or such later date as may be approved by the Executive), and the Vendor shall use all reasonable endeavours to procure the Company to despatch the Offer Circular containing such information regarding the Offer and as required by the SFC, the Code, the Executive, the Listing Rules and the Stock Exchange, to the Shareholders whose names appear on the branch register of members of the Company on the date of the Offer Circular and otherwise on such terms as the Purchaser may see fit but so that the Offer and the Offer Circular shall comply in all respects with the requirements of the Code.

7.2 The Vendor and the Warrantors shall, and shall use all reasonable endeavours to procure that the Company will, take all action necessary and provide all information and assistance required by the Purchaser to prepare the Offer Circular and to enable the Purchaser to procure the posting of the Offer Circular in accordance with Clause 7.1, and shall undertake to ensure that the Offer Circular contains all such matters and information as are appropriate or necessary for an offeree circular for the purposes of the Code. The parties hereby agree that the Vendor and the Warrantors shall use all reasonable endeavours to procure the Company to agree that the Financial Adviser shall prepare the announcement and the Offer Circular and to obtain clearance of such announcement and the Offer Circular with the SFC and the Stock Exchange; and the Vendor, the Warrantors and the Purchaser shall take, and the Vendor and the Warrantors shall use all reasonable endeavours to procure the Company to take, all action necessary and provide all information and assistance so required by the Financial Adviser for such purposes.

8. PURCHASER'S WARRANTIES

8.1 The Purchaser hereby represents and warrants to the Vendor and the Warrantors that:

- (1) it has the corporate power and has obtained all necessary approval, authorisation and consents to enter into and perform its obligations under this Agreement and to carry out the transactions contemplated hereby;
- (2) it has taken all necessary corporate and other action to authorise the entering into and performance of this Agreement and to carry out the transactions contemplated hereby; and
- (3) this Agreement is a valid and binding obligation on it.

8.2 The Purchaser hereby further warrants and undertakes to the Vendor that it has sufficient financial resources necessary to satisfy fully the consideration for the sale and

purchase of the Sale Shares and that the Purchaser can and will be able to implement the Offer in full.

9. FURTHER ASSURANCE

9.1 The Vendor and the Warrantors shall upon request by the Purchaser execute, do and perform or procure to be executed, done and performed by other necessary parties all such further acts, agreements, assignments, assurances, deeds and documents as the Purchaser may reasonably require effectively to vest the registered and beneficial ownership of the Sale Shares in the Purchaser or its respective nominees free from all Encumbrances and with all rights now and hereafter attaching thereto.

10. CONFIDENTIALITY AND ANNOUNCEMENTS

10.1 The Purchaser undertakes to the Vendor that it will not and will procure that its officers, employees and advisers will not, at any time after the date of this Agreement, without the prior written consent of the Vendor or save as required by law or any rule of any relevant stock exchange body, disclose any information concerning the business, accounts, finance or contractual arrangements or other dealings, transactions or affairs of the Group supplied to the Purchaser, its officers, employees or its advisers by the Vendor, to any third party (other than those of its officers, employees or advisers as are necessarily required in the course of their duties to receive and acquire such documents, information and/or knowledge under the same duty of confidentiality).

10.2 No public announcement or communication of any kind shall be made in respect of the subject matter of this Agreement unless specifically agreed between the parties or unless an announcement is required pursuant to the Listing Rules, the Code, the applicable laws and regulations or the requirements of the Stock Exchange, the SFC or any other regulatory body or authority. Where the Vendor is required by the Listing Rules, the Code, any relevant laws or regulations or the requirements of the Stock Exchange, the SFC or any other regulatory body or authority to make any press or other announcement not relating to this Agreement before the close of the Offer, the Vendor shall so far as practicable consult the Purchaser regarding the terms of such announcement prior to its release.

11. GENERAL

11.1 This Agreement constitutes the entire agreement between the parties hereto with respect to the matters dealt with herein and supersedes all previous agreements, arrangements, statements, understandings or transactions between the parties hereto, if any, in relation to the matters hereof and the parties acknowledge that no claim shall arise in respect of any agreement, arrangements, statements, undertakings or transactions so superseded.

11.2 Any variation to this Agreement shall be binding only if recorded in a document signed by all the parties hereto.

11.3 Time shall be of the essence of this Agreement but no failure by any party to exercise, and no delay on its part in exercising any right hereunder will operate as a waiver thereof, nor shall any single or partial exercise of any right under this Agreement (including a settlement with either the Vendor or the Warrantors) preclude any other or further exercise of it or the

exercise of any right or prejudice or affect any right against any person under the same liability whether joint, several or otherwise. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

11.4 None of the parties may assign or transfer any of their rights or obligations under this Agreement.

12. NOTICES AND PROCESS AGENTS

12.1 Any notice, claim, demand, court process, document or other communication to be given under this Agreement (collectively “**communication**” in this Clause 12) shall be in writing in the English language and may be served or given personally or sent to the address (including cable address) or facsimile numbers (if any) stated after the relevant party's name in Schedule 2 or to the registered office (or, in the case of a company incorporated in the British Virgin Islands, on its resident agent) for the time being of the party to be served, or to such other address (which must be in Hong Kong) as may have been last notified in writing by such party to the party serving the communication specifically referring to this Agreement. All communications shall be served by the following means and the addressee of a communication shall be deemed to have received the same within the time stated adjacent to the relevant means of despatch:

| <u>Means of despatch</u> | <u>Time of deemed receipt</u> |
|---------------------------------|--------------------------------------|
| Local mail or courier | 24 hours |
| Facsimile | on despatch |
| Air courier/Speedpost | 3 days |
| Airmail | 5 days |

12.2 A communication served in accordance with Clause 12.1 shall be deemed sufficiently served and in proving service and/or receipt of a communication it shall be sufficient to prove that such communication was left at the addressee's address or that the envelope containing such communication was properly addressed and posted or despatched to the addressee's address or that the communication was properly transmitted by facsimile to the addressee. In the case of facsimile transmission, such transmission shall be deemed properly transmitted on receipt of a satisfactory report of transmission printed out by the sending machine.

12.3 Nothing in this Clause 12 shall preclude the service of communication or the proof of such service by any mode permitted by law.

12.4 The Vendor hereby irrevocably appoints the Vendor's Solicitors as its agent to accept service of legal process out of the courts of Hong Kong in connection with this Agreement. The Vendor further agrees to maintain a duly appointed agent in Hong Kong to accept service of process out of the courts of Hong Kong and to keep the other parties informed of the name and address of such agent. Service on such process agent (or its substitute appointed pursuant to the procedures described above) shall be deemed to be service on the Vendor. The provisions of Clauses 12.1 and 12.2 shall apply to the service of court process on the process agent of the Vendor.

12.5 The Purchaser hereby irrevocably and jointly appoints the Purchaser's Solicitors as its agent to accept service of legal process out of the courts of Hong Kong in connection with this Agreement. The Purchaser further agrees to maintain a duly appointed agent in Hong Kong to accept service of process out of the courts of Hong Kong and to keep the other parties informed of the name and address of such agent. Service on such process agent (or its substitute appointed pursuant to the procedures described above) shall be deemed to be service on the Purchaser. The provisions of Clauses 12.1 and 12.2 shall apply to the service of court process on the process agent of the Purchaser.

13. COSTS AND STAMP DUTY

13.1 Each party shall bear its own costs and expenses (including legal fees) incurred in connection with the preparation, negotiation, execution and performance of this Agreement and all documents incidental or relating to Completion.

13.2 All stamp duty (if any) payable in connection with the sale and purchase of the Sale Shares shall be borne by the Vendor and the Purchaser in equal shares.

14. COUNTERPARTS

14.1 This Agreement may be executed by the parties hereto in any number of counterparts and on separate counterparts, each of which when so executed shall be deemed an original but all of which shall constitute one and the same instrument and is binding on all parties. A party may execute this Agreement and the documents referred to herein on a facsimile copy counterpart and deliver his/its signature and/or seal by facsimile provided that such party shall deliver his/its original signature and/or seal within 14 days from the date of execution of this Agreement (or, as the case may be, the date of execution of the relevant document).

15. GOVERNING LAW AND JURISDICTION

15.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong.

15.2 The parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong.

IN WITNESS whereof this Agreement has been duly executed by all parties hereto the day and year first above written.

SCHEDULE 1

Warranties

Part A

The Company

Save as Disclosed and up to and including Completion:

1. The Vendor, the Warrantors and the Sale Shares
 - 1.1 Each of the Vendor and the Warrantors has full power and is authorised to enter into and perform this Agreement and this Agreement will, when executed, constitute legal, valid and binding obligations on the Vendor and the Warrantors in accordance with its terms.
 - 1.2 At Completion, there will be no outstanding indebtedness or other liability (actual or contingent) owing by the Company to the Vendor/or any director of the Company or any person connected with the Vendor or with any such director nor is there any indebtedness owing to the Company by any such person.
 - 1.3 At Completion, the Sale Shares will be fully paid or credited as fully paid and beneficially owned by the Vendor free from all Encumbrances and at Completion, the legal and beneficial ownership of the Sale Shares will be vested in the Purchaser or, as the case may be, its respective nominees free from all Encumbrances together with all rights now or hereafter attaching thereto.
 - 1.4 True copies or certified true copies of the memorandum and articles of association (or the equivalent constitutional documents) of the Company and the Subsidiaries have been provided to the Purchaser. The copies of the memorandum and articles of association (or the equivalent constitutional documents) of the Company so provided to the Purchaser are true and complete and have embodied in them or annexed to them a copy of every such resolution as is required by the relevant legislation or the jurisdiction in which the Company is incorporated.
 - 1.5 Apart from the Subsidiaries, the Company will not at Completion be the owner or the registered holder of any share in or other security of any body corporate whenever and wherever incorporated nor has the Company agreed nor will it prior to Completion agree to become the owner or registered holder of any such share or security.
 - 1.6 The Company is duly incorporated, constituted and legally subsisting under the respective laws of the places of incorporation and establishment and there has been no resolution or petition or order for the winding up of the Company and no receiver has been appointed in respect of any part of the assets of the Company prior to and at Completion.
 - 1.7 The particulars of each Group Company as Disclosed are true and correct in all material respects.

1.8 The corporate structure of the Group as Disclosed is and will continue to be corporate structure of the Group without any reduction or dilution of interest held by the Company at Completion.

2. Shares and Options

2.1 There is no option, right to acquire, mortgage, charge, pledge, lien or other form of security, encumbrance or third party rights on, over or affecting any part of the unissued share capital or loan capital of the Company or over any part of the issued or unissued share capital or loan capital of the Company and there is no agreement or commitment to give or create any of the foregoing and no claim has been made by any person to be entitled to any of the foregoing which has not been waived in its entirety or satisfied in full.

2.2 There is no agreement or commitment outstanding which calls for the allotment of or issue or accords to any person the right to call for the allotment or issue of any shares in or securities or debentures of the Company.

2.3 There are no outstanding Options as at the date of this Agreement, and no option will be granted under the Share Option Scheme prior to Completion.

3. Compliance and Corporate Matters

3.1 The Company has duly and properly complied with all filing and registration requirements in respect of corporate or other documents imposed under the relevant laws of the jurisdiction in which it was incorporated.

3.2 The statutory books and minute books of the Company have been properly written up and compliance has been made with all applicable legal requirements concerning the Company and all issues of shares, debentures or other securities thereof.

3.3 The register of members of the Company is correct and the Company has not received any claim, application or request for rectification of its register of members and, so far as the Vendor and the Warrantors are aware, no circumstances which might lead to any such claim, application or request for rectification of such register to be made have arisen or occurred.

3.4 The Company and its directors (in their capacity as such) have complied with all relevant and applicable legislation and obtained and complied with all necessary licences and consents to carry on business whether in the country, territory or state in which it is incorporated or elsewhere, including applicable legislation relating to companies and securities, real property, taxation and prevention of corruption and have complied with all applicable legal requirements in relation to any transactions to which it is or has been a party prior to Completion.

3.5 The minute books of directors' meetings and of shareholders' meetings respectively of the Company contain properly written-up records of all resolutions passed by the directors and the shareholders respectively of the Company and no resolutions have

been passed by either the directors or the shareholders of the Company which are not recorded in the relevant minute books.

3.6 All charges in favour of the Company have (if appropriate) been registered in accordance with the provisions of the applicable legislation and regulations and at the relevant registries or authorities.

3.7 All title deeds and documents necessary to prove their respective titles in material assets of the Company, and an executed copy of all agreements which are material to the Company and to which the Company is a party, and the original copies of all other documents which are material to the Company and which are owned by, or which ought to be in the possession of the Company are in their possession, custody or control.

4. Audited Accounts and Management Accounts

4.1 The Audited Accounts have been prepared in accordance with the requirements of all relevant statutes and generally acceptable accounting practice and policies applied in Hong Kong and all applicable Statements of Standard Accounting Practices issued by the Hong Kong Institute of Certified Public Accountants for the time being in force on a consistent basis and give a true and fair view of the state of affairs of the Group for the year ended on the Accounts Date and of its combined profits for the year ended on the Accounts Date and make adequate provision for all actual liabilities, bad or doubtful debts and Taxation and adequate provision for or a note of (in accordance with good accounting practice) all contingent, unqualified or disputed liabilities and all capital commitments and have consistently applied the bases and policies of accounting throughout the year ended on the Accounts Date and except where specified are not materially and adversely affected by any extraordinary, exceptional item.

4.2 The provision for Taxation in the Audited Accounts is sufficient to cover all Taxation assessed or liable to be assessed on the Group or for which the Group is then or may then be or become accountable in respect of profits, income, earnings, receipts, transfers, events and transactions up to the Accounts Date.

4.3 The Management Accounts were prepared on the same basis as the Audited Accounts and fairly reflect the state of affairs and financial position of the Group at the Management Accounts and of the Group's results for the financial period ended on that date.

4.4 The accounting and other books and records of the Company are in its possession or control, have been properly written up and accurately present and reflect in accordance with generally accepted accounting principles and standards all the transactions entered into by the Company or to which the Company has been a party and there are at the date hereof no material inaccuracies or discrepancies of any kind contained or reflected in any of the said books and records, and that at the date hereof they give and reflect a true and fair view of the financial, trading and contractual position of the Company and of its fixed and current and contingent assets and liabilities and debtors and creditors.

4.5 Since the Management Accounts Date and save as Disclosed:

- (1) the Company has not entered into any material contracts or commitments binding on it (other than contracts entered into in the ordinary course of its business) and there has not been any acquisition or disposal or agreement to acquire or dispose by the Company of material fixed or capital assets or any agreement to effect the same;
- (2) there has not been any creation of liabilities by the Company (other than on normal commercial terms in the ordinary and proper course of its business);
- (3) no event has occurred as regards the Company which would entitle any third party to terminate any material contract or any material benefit enjoyed by the Company or call in any material amount of money before the normal due date therefor or indebtedness;
- (4) the Company has not created any mortgage or charge on the whole or any part of its assets;
- (5) the Company has not borrowed except from bankers in the ordinary course of its day to day trading operation or increased any secured liability;
- (6) the business of the Company has been carried on in the ordinary and usual course and in the same manner (including nature and scope) as in the past, no fixed asset or stock has been written up nor any debt written off, and no unusual or abnormal contract has been entered into by the Company;
- (7) no resolution of any of the members of the Company in general meeting has been passed other than resolutions relating to the business of an annual general meeting which was not special business;
- (8) the Company has not declared, paid or made nor is proposing to declare, pay or make any dividend or other distribution;
- (9) the financial year end of the Company has remained unchanged;
- (10) there has been no material adverse change in the financial condition or prospects of the Company and the Company has not entered into transactions and incurred liabilities only in the ordinary course of trading;
- (11) no event has occurred which gives rise to a tax liability to the Company or deemed (as opposed to actual) income, profits or gains or which results in the Company becoming liable to pay or bear a tax liability directly or primarily chargeable against or attributable to another person, firm or company; and
- (12) no remuneration (including bonuses) or benefit payable to any officer or employee of the Company has been increased nor has the Company undertaken any obligation to increase any such remuneration at any future date with or without retrospective effect.

- 4.6 No part of the amounts included in the Audited Accounts and the Management Accounts or subsequently recorded in the books of the Company, as owing by any debtors, has been released on terms that any debtor pays less than the full book value of the its debt, or has been written off, or has been proven to any extent to be irrecoverable, or is now regarded by the Company (as the case may be) as irrevocable in whole or in part.
- 4.7 Save for any indebtedness or liabilities between the Company on the one part and the other members of the Group on the other part, details of which have been Disclosed, all debts due to the Company included in the Management Accounts (being debts in excess of bad or doubtful debts for which provision has been made in the Accounts) have either prior to the date hereof been realised or will within three months from the date of Completion realise their full amount in cash.
- 4.8 No transaction of any material importance to which the Company is a party has taken place which if it had taken place would have required to be disclosed in writing to the Purchaser or reflected in the Management Accounts.
- 4.9 Adequate provisions have been made in the Management Accounts for all dividends (if any) or other distributions (if any) to shareholders declared and remaining unpaid as at the date hereof.
- 4.10 Since the Management Accounts Date and save as contemplated in this Agreement, no dividend has been declared or paid or other distributions of capital made in respect of any share capital of the Company.
- 4.11 There has been no Material Adverse Change (or Effect) of the Company as a whole since the Management Accounts Date.
- 4.12 The Company has no present intention to discontinue or write down investments in any other businesses other than those Disclosed nor is any such write down, in the reasonable opinion of the Board, required.

5. Financial Matters

- 5.1 Since the Management Accounts Date, there has not been and there is and will be no agreement in respect of:
- (1) any damage, destruction, or loss, which is not fully covered by insurance, materially adversely affecting any properties or business of the Company (taken as a whole);
 - (2) any sale or transfer by the Company of any material tangible or intangible asset other than in the ordinary course of business, any mortgage or pledge or the creation of any security interest, lien, or encumbrance on any such asset, or any lease of property, including equipment, other than tax liens with respect to taxes not yet due and statutory rights of customers in inventory and other assets;
 - (3) any material transaction not in the ordinary course of business of the Company;

- (4) the lapse of any patent, utility models, design, trademark, trade name, service mark, copyright, or licence or any application with respect to the foregoing by the Company which is material in the context of its business; or
 - (5) save for the Corporate Guarantees, the making of any material loan, advance, indemnity or guarantee or the granting of any security by the Company to or for the benefit of any party, whether within the Group or otherwise.
- 5.2 The accounting books and records of the Company have been maintained in accordance with the applicable accounting principles and standards adopted in the jurisdictions where the Company's business is conducted and comply with the relevant statutory provisions of such jurisdictions and have been properly written up and properly reflect all the transactions to which that the Company has been a party and there are at the date hereof no material inaccuracies or discrepancies of any kind contained or reflected in the said books and records, and that as at the date hereof they give and reflect a true and fair view of the financial, trading and contractual position of the Company and of its fixed and current and contingent assets and liabilities and debtors and creditors.
- 5.3 The Company neither has any material capital commitment nor is engaged in any scheme or project requiring the expenditure of capital of a significant amount.
- 5.4 All dividends or distributions declared, made or paid by the Company have been declared, made or paid in accordance with its bye-laws or articles of association (or equivalent documents) and the applicable statutory provisions.
- 5.5 The Company has neither any material obligation nor liability other than those which have arisen in the ordinary course of its business or by operation of law or Disclosed.
- 5.6 The total amount borrowed by the Company from its bankers (if any) does not exceed any limits granted under any relevant facilities and the total amount borrowed by the Company from whatsoever source does not exceed any limitation on its borrowing power contained in its bye-laws or articles of association, or in any debenture or loan stock deed or other instrument.
- 5.7 None of the Vendor or the Company has done anything whereby the continuance in full force and effect of any overdrafts, loans or finance facilities extended to the Company might be affected or prejudiced.
- 5.8 Save for the Corporate Guarantees and other than liabilities incurred in the ordinary course of business of the Company or otherwise in relation to this Agreement or the transactions contemplated by this Agreement, the Company had, as at the date of this Agreement and up to Completion, no unrecorded liabilities, contingent liabilities and undisclosed commitments.
- 5.9 Save for the Corporate Guarantees and other than liabilities incurred in the ordinary course of business of the Company or otherwise in relation to this Agreement or the transactions contemplated by this Agreement, as at Completion, the Company has no recorded or unrecorded indebtedness or liabilities due or owing to any person, has not

given any guarantee / indemnity or other form of security in favour of any person, and does not have any contingent liability or commitment towards any person.

5.10 Save for the Corporate Guarantees, the Company has not given any guarantee / indemnity or other form of security in favour of any Group Company.

6. Plant, Equipment and Assets

6.1 The assets (if any) used in connection with the business of the Company which are material in the context of its business are the sole legal and beneficial ownership of the Company and are held by the Company free from all Encumbrances.

6.2 The assets included in the Management Accounts or acquired since the Management Accounts Date and all assets used or owned by or in the possession of the Company:

- (1) are legally and beneficially owned by the Company free from all Encumbrance;
- (2) are in the possession or under the control of the Company; and
- (3) are not subject to any hire purchase, leasing arrangements or other arrangements of a similar nature.

6.3 All material assets in excess of HK\$50,000.00 owned by the Company are in reasonable repair, condition and working order, have been properly maintained.

7. Insurance

7.1 The Company has effected all insurances required by law to be effected by it and which ought reasonably to have been effected over its business and assets for a substantial part of its value and covering third party liability of the Company having taken into account the nature of the business of the Company, the place in which it carries on business and the business of the Company as a whole.

7.2 All premiums due on the said policies have been paid, all the conditions of the said policies have been performed and observed in all material respects in the place in which the Company carries on business, and nothing has been done or has been omitted to be done whereby any of the said policies has or may become void or voidable.

7.3 No claim is outstanding either by the insurer or the insured under any of the said policies and no claim against the Company by any third party is outstanding in respect of any risk covered by any of the policies or by any policy previously held by the Company.

7.4 Any claim under any of the said policies or which would or might be required under any of the said policies to be notified to the insurers has been duly made by the Company.

8. Taxation

8.1 The Company has complied in all material respects with all relevant and applicable legal

requirements relating to registration or notification for Taxation purposes.

8.2 The Company has:

- (1) paid all Taxation (if any) due to be paid, and if required, made sufficient provision for Taxation before the date of this Agreement; and
- (2) taken all necessary steps to obtain any repayment of or relief from Taxation available to it.

8.3 The returns for Taxation purposes which ought to have been made by or in respect of the Company in Hong Kong or any other part of the world, have been duly made and all such returns are up to date, correct and on a proper basis and are not the subject of any material dispute with the relevant Taxation, revenue or other appropriate authorities.

8.4 The provisions (if any) included in the Management Accounts are sufficient to cover all Taxation (as the case may be) for which the Group was then or might at any time thereafter become or have become liable in respect of all periods ending on or before the Management Accounts Date.

8.5 The Company is not in dispute with any Taxation or revenue authority and, so far as the Vendor and the Warrantors are aware, no such dispute is pending or threatened.

9. Material Transactions

9.1 Since the Management Accounts Date, save for as contemplated by this Agreement, the Company has not:

- (1) issued or repaid or agreed to issue or repay any share or loan capital;
- (2) declared, made or paid any dividends or made any other distribution of capital and no loans or loan capital has been repaid in whole or in part; nor
- (3) entered into any material transaction (including but not limited to any sale or purchase of assets) or incurred any material liabilities otherwise than in ordinary course of business.

9.2 Since the Management Accounts Date, none of the assets of the Company has been depleted by any unlawful act on the part of any person and there has been no material adverse change in the business, financial or trading positions or prospects of the Company.

10. Employment Arrangements

- 10.1 All contracts of service to which the Company is a party can be terminated by it without payment of compensation (save as provided by legislation) by not more than three months' notice or less without compensation (other than compensation in accordance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong) or the relevant legislation.
- 10.2 The Company is not a party to:
- (1) any agreement, arrangement or scheme (whether or not legally enforceable) for profit sharing or for the payment to employees of bonuses or incentive payments or the like of a material nature;
 - (2) any collective bargaining or procedural or other agreement with any trades union or similar association; or
 - (3) any provident fund other than pursuant to such agreement, arrangement, fund or scheme whereby it is required by law to be a party.
- 10.3 Other than in respect of any scheme(s) as required under the Mandatory Provident Funds Ordinance of Hong Kong or required by any applicable laws (including the PRC), the Company is not under any legal liability or obligation or a party to any agreement, arrangement, scheme, fund, ex-gratia arrangement or promise to pay pensions, gratuities, retirement annuities, benefits, periodical sums, or any other payment or compensation (whether or not legally enforceable) in connection with retirement, death or disability to or for any of its past or present officers or employees or their relatives or dependants; and all payment/ contribution required to be made and/or obligation required to be observed by the Company has been duly paid/made/complied with by the Company.
- 10.4 Particulars of all beneficial loans or other benefits in kind enjoyed by any director of the Company have been Disclosed.
- 10.5 The Company is not under any obligation (whether actual or contingent) to any former employee and no tax, levy, contribution or payment in respect of any former employee is outstanding or disputed.
- 10.6 The Company has not given any guarantee or assumed any obligations in relation to the employees of any other person.

11. Litigation

- 11.1 The Company is not or has not been a party to any litigation, arbitration, prosecutions or other legal or contractual proceedings or hearings before any statutory, regulatory or governmental body, department, board or agency which is material to the business of the Company or to any material disputes or to or the subject of any investigation by any authority in the place where the business of the Company is conducted.

11.2 No material litigation, arbitration, prosecution or other legal or contractual proceedings, hearings or investigations are threatened or pending either by or against the Company and there are no facts or circumstances, so far as the Vendor and the Warrantors are aware, which might give rise to any such proceeding, investigation, hearing or to any dispute or to any payment.

11.3 There are no unfulfilled or unsatisfied judgments or court orders against the Company.

12. Contracts and Commitments

12.1 Since the Management Accounts Date, the Company has carried on its business in the ordinary course and, save as mentioned in or as contemplated by this Agreement, the Company has not entered into any transaction or incurred any material liabilities except in the ordinary course of its day-to-day business and on an arm's length basis for full value.

12.2 Save for the Corporate Guarantees, there is no outstanding nor, save and except for such contracts or agreements (if any) which may be entered into by the Company pursuant to this Agreement, will there be outstanding at Completion with respect to the Company:

- (1) any agreement (whether by way of guarantee, indemnity, warranty, representation or otherwise) under which the Company is under any actual or contingent material liability in respect of the obligations of any person other than the Company;
- (2) any sale or purchase option or similar agreement affecting any assets owned or used by the Company (with a value in the books of account of the Company in excess of HK\$100,000) except those entered in the ordinary course of day to day trading;
- (3) any material agreement in excess of HK\$100,000 entered into by the Company otherwise than by way of bargain at arm's length; and
- (4) any joint venture agreements, agency agreements or any form of agreement whatsoever which entitles any person to bind the Company contractually, to settle, negotiate or compromise any accounts or claims or to collect, receive or share in any balances or sums payable to the Company save in the ordinary course of business.

12.3 The Company has not received any formal or informal notice to repay under any agreement relating to any borrowing (or indebtedness in the nature of borrowing) which is repayable on demand and which exceeds an aggregate amount of HK\$100,000.

12.4 Save for the Corporate Guarantees, the Company is not under any obligation, or party to any contract, which cannot readily be fulfilled or performed by it on time and without undue or unusual expenditure of money or effort and which is material in the context of its business.

- 12.5 No party to any contractually binding agreement or arrangement with or under an obligation to the Company is in default under it, being a default which would be material in the context of the Company's financial or trading position and, so far as the Vendor and the Warrantors are aware, there are no circumstances likely to give rise to such a default.
- 12.6 The Company is not in default in any material respect under any agreement or obligation to which it is party or in respect of any other obligations or restrictions binding upon it.
- 12.7 In respect of the Company, there are no outstanding contracts, engagements or liabilities, whether quantified or disputed, save for (i) as shown in the Management Accounts or (ii) entered into in the ordinary course of the Company's day to day business operations.
- 12.8 With respect to the Company there are no:
- (1) contractual arrangements between the Company and any party (including but not limited to financiers of the Company) which will or may be legally terminated as a result of the execution or completion of this Agreement; or
 - (2) liabilities for any statutory or governmental levy or charge other than for Taxation provision for which has been made in the Management Accounts; or
 - (3) powers of attorney or other authorities (express or implied) which are still outstanding or effective to or in favour of any person to enter into any contract or commitment or to do anything on its behalf; or
 - (4) agreements or arrangements entered into by it otherwise than by way of bargain at arm's length; or
 - (5) contracts which are unusual or of a long-term nature or involving or which may involve obligations on it of a nature or magnitude calling for special mention or which cannot be fulfilled or performed on time or without undue or unusual expenditure of money or effort; or
 - (6) contracts or arrangements between itself and the parties hereto or their Associates other than contracts in the ordinary course of their day to day trading operations.
- 12.9 The Company is not a party to or bound by any partnership or joint venture or profit sharing or voluntary association or other similar agreement for the conduct of any business.
- 12.10 Save for the Corporate Guarantees and the transactions contemplated hereunder, the Company is not a party to any agreement, transaction, obligation, commitment, understanding, arrangement or liability which:

- (a) is incapable of complete performance in accordance with its terms within six months after the date on which it was entered into or undertaken;
- (b) cannot readily be fulfilled or performed by the Company on time without undue or unusual expenditure of money and effort;
- (c) involves or is likely to involve obligations, restrictions, expenditure or receipts of an unusual, onerous or exceptional nature;
- (d) is a contract with any trade union or body or organisation representing the Company's employees;
- (e) in any way restricts the Company's freedom to carry on the whole or any part of its business in any part of the world in such manner as it thinks fit; or
- (f) is in any way otherwise than in the ordinary and proper course of the Company's business.

13. Insolvency

- 13.1 No order has been made or petition presented or resolution passed for the winding up of the Company, nor has any distress, execution or other process been levied against the Company or action taken to repossess goods in the possession of the Company.
- 13.2 No steps have been taken for the appointment of an administrator or receiver of any part of the property or undertaking of the Company.
- 13.3 No floating charge created by the Company has crystallised and there are no circumstances likely to cause such a floating charge to crystallise.
- 13.4 The Company has not made or proposed any arrangement or composition with its creditors or any class of its creditors.

14. Trading and business

- 14.1 The Company has conducted its business in all material respects in accordance with all applicable laws and regulations of Hong Kong and all foreign jurisdiction and there is no order, decree or judgment of any court or any governmental agency of Hong Kong or of any foreign country outstanding against the Company or which may have Material Adverse Effect upon the assets or business of the Company.
- 14.2 All necessary licences, consents, permits and authorisations (public and private) have been obtained by the Company to enable it to carry on its business effectively in the places and in the manner in which such business is now carried on and all such licences, consents, permits and authorisations are valid and subsisting and the Vendor and the Warrantors know of no reason why any of them should be suspended, cancelled or revoked or should not be renewed or reissued upon or prior to their expiry.

14.3 Neither the Company nor any of their officers, agents or employees (during the course of their duties in relation to the Company) have committed, or omitted to do, any act or thing the commission or omission of which is, or could be, in contravention of any ordinance, order, regulation, enactment, statute or the like in Hong Kong or elsewhere which is punishable by fine or other penalty.

14.4 Since the Management Accounts Date:

- (1) the business of the Company has been continued in the ordinary and normal course; and
- (2) the Company has been paying its creditors in respect of all of its debts which have become due and payable in its ordinary course of business.

15. Miscellaneous

15.1 All representations, warranties and undertakings contained in the foregoing provisions of this Schedule shall be deemed to be repeated immediately before Completion and to relate to the facts then existing.

15.2 The Company has not committed any breach of any statutory provision, order, bye-law or regulation binding upon it or of any provision of its memorandum of association, articles of association or of any trust deed, agreement or licence to which it is a party or of any covenant, mortgage, charge or debenture given by it.

15.3 All information contained in this Agreement was when given true and accurate in all material respects and there is no material fact or material matter which has not been disclosed, which may render any such information or documents untrue, inaccurate or misleading in any material respect at the date of this Agreement or which if might reasonably be expected to influence materially and adversely the Purchaser's decision to purchase the Sale Shares on the terms of this Agreement.

15.4 The execution, delivery and performance of this Agreement by the Vendor and the Warrantors does not and will not violate in any respect any applicable provision of (i) any law or regulation or any order or decree of any governmental authority, agency or court of the Hong Kong or any jurisdiction in which it is incorporated or resides or any part thereof prevailing as at the date of this Agreement and as at Completion; (ii) the laws and documents incorporating and constituting the Company prevailing as at the date of this Agreement and as at Completion; or (iii) any mortgage, contract or other undertaking or instrument to which it/he is a party or which is binding upon it/him or any of its/his assets, and does not and will not result in the creation or imposition of any encumbrance on any of its/his assets pursuant to the provisions of any such mortgage, contract or other undertaking or instrument.

15.5 No consent, licence, approval or authorisation of or filing or registration with or other requirement of any governmental department authority or agency in the British Virgin Islands or any jurisdiction in which the Vendor resides or any part thereof is required by the Vendor in relation to the valid execution, delivery or performance of this Agreement (or to ensure the validity or enforceability thereof) and the sale of the Sale

Shares.

- 15.6 Save as contemplated under this Agreement, no waivers, consents or approvals of any relevant governmental or regulatory authorities (including, but not limited to, the Stock Exchange and the SFC) or other relevant third parties in Hong Kong or elsewhere are required or appropriate or are relevant to, the entry into and the implementation and completion of this Agreement and no filings with any governmental regulatory authorities or other relevant third parties in Hong Kong or elsewhere are required or appropriate for the entering into and the implementation of this Agreement other than filing obligations under the Securities and Futures Ordinance of Hong Kong; no waiting periods are required under the laws of Hong Kong or any other relevant jurisdictions in relation thereto.
- 15.7 The information set out in the recitals and the Schedules is true, accurate and complete in all material respects.

Part B

The Subsidiaries

1. Previous Announcements: with respect to all the Previous Announcements, all statements of fact contained therein were true and correct in all material respects as at the respective dates of such Previous Announcements and not misleading in any material respect and all expressions of opinion or intention contained therein were made on reasonable grounds and were truly and honestly held by the directors of the Company and were fairly based and there were no other facts known to the directors of the Company the omission of which would make any such statement or expression in any of the Previous Announcements misleading in any material respect;
2. No material adverse change: save as disclosed in the Previous Announcements, since the Management Accounts Date there has been no material adverse change, nor any development reasonably likely to involve a prospective material adverse change, in the financial or trading position of the any of the Subsidiaries;
3. No litigation: save as disclosed in the Previous Announcements, none of the Subsidiaries is engaged in any litigation, arbitration or governmental proceeding which (individually or in aggregate) is likely to have or have had during the twelve months preceding the date hereof a material adverse effect on the financial or trading position of the Group as a whole and no such litigation, arbitration or proceeding are threatened in writing or pending nor, to the best of the knowledge, information or belief of the Vendor and the Warrantors (having made all reasonable inquiries), are there any circumstances which is likely to give rise to any such litigation, arbitration or proceeding;
4. Indebtedness: to the best of the knowledge, information and belief of the Vendor and the Warrantors (having made all reasonable inquiries), no circumstances or events have arisen or occurred such that any person is (or could, with the giving of notice and/or lapse of time and/or fulfilment of any condition and/or the making of

- any determination, become) entitled to payment of any indebtedness before its due date for payment by any of the Subsidiaries, or to take any step to enforce any security for any indebtedness of any of the Subsidiaries and no person to whom any indebtedness for borrowed money of any of the Subsidiaries which is payable on demand has demanded or threatened in writing to demand repayment of the same;
5. No winding-up: none of the Subsidiaries is in receivership or liquidation and so far as the Vendor and the Warrantors are aware, none of the Subsidiaries has taken any step to enter liquidation and no petition has been presented for winding up or appointment of a receiver of any of the Subsidiaries.
 6. No options or other securities: There are no options or other agreements outstanding which call for the issue of or accord to any person, the right to call for the issue of any loan or share capital of any of the Subsidiaries or the right to require the creation of any mortgage, charge, pledge, lien or other security or encumbrance.
 7. Compliance with constitutions: The copies of the memorandum and articles of association or other equivalent constitutional documents of each of the Subsidiaries which have been produced to the Purchaser are true and complete in all material respects and have attached to them copies of all resolutions which are required by the applicable laws and regulations to be so attached. So far as the Vendor and the Warrantors are aware, each of the Subsidiaries has complied with its respective memorandum and articles of association in all material respects and none of the activities, agreements, commitments or rights of any of the Subsidiaries is ultra vires or unauthorised.
 8. Title to assets: Save as disclosed in the Accounts, each of the Subsidiaries has good title to its assets used in its business free from any liens, mortgages, charges and encumbrances.
 9. Compliance with applicable laws: So far as the Vendor and the Warrantors are aware, each of the Subsidiaries has at all times carried on and will until Completion carry on its business in compliance with all applicable laws and regulations in all material respects and, without prejudice to the generality of the foregoing, each of the Subsidiaries has obtained all licences and consents necessary for the carrying on of its business, and all such licences and consents are valid and subsisting and so far as the Vendor and the Warrantors are aware there is no reason why any of them should be suspended, cancelled or revoked. So far as the Vendor and the Warrantors are aware, none of the Subsidiaries is in breach in any material respect of any material contracts by which it is bound.
 10. No material non-disclosure: There are no adverse material or substantial factors or circumstances known to the Vendor and the Warrantors relating to the business or affairs of any of the Subsidiaries which have not been disclosed to the Purchaser and which if disclosed, might reasonably be expected to influence materially and adversely the Purchaser's decision to purchase the Sale Shares on the terms of this Agreement.

11. Taxation: The Subsidiaries have complied in all material respects with all relevant and applicable legal requirements relating to registration or notification for Taxation purposes. The Subsidiaries have paid all Taxation (if any) due to be paid, and if required, made sufficient provision for Taxation before the date of this Agreement, and taken all necessary steps to obtain any repayment of or relief from Taxation available to them.

SCHEDULE 2

Address and facsimile numbers for communications

| <u>Name</u> | <u>Address</u> | <u>Facsimile no.</u> |
|--------------------|---|-----------------------------|
| The Vendor | Room 1007, 10th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong | 2865-0122 |
| The Purchaser | Flat A, 19th Floor, No.116 Broadway, Mei Foo Sun Chuen, Kowloon, Hong Kong | 2364-0395 |
| The Warrantors | Room 1007, 10th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong | 2242-6867 |
| | Room 1007, 10th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong | 2865-0122 |

THE VENDOR

SIGNED by NG PAK TO, PETTO)
)
for and on behalf of)
)
WISE NEW MANAGEMENT LIMITED)
)
in the presence of:)

[Handwritten signature]
x

THE PURCHASER

SIGNED by WONG WING CHEUNG PETER)
)
for and on behalf of)
)
FLYRICH RESOURCES LIMITED)
)
in the presence of:)

For and on behalf of
FLYRICH RESOURCES LIMITED
[Handwritten signature]
.....
Authorized Signature(s)

THE WARRANTORS

SIGNED SEALED and DELIVERED)
)
by **NG PAK TO, PETTO**)
)
in the presence of:)

[Handwritten signature]
x



SIGNED SEALED and DELIVERED)
)
by **ONG CHOR WEI**)
)
in the presence of:)

[Handwritten signature]
x



EXHIBIT A

AUDITED ACCOUNTS

EXHIBIT B

MANAGEMENT ACCOUNTS