

Dated 28 day of March 2012

**CHINA DATA BROADCASTING HOLDINGS LIMITED**  
as Purchaser

And

**FIT GENERATION HOLDING LIMITED**  
as Seller

And

**CHANGHONG (HONG KONG) TRADING LIMITED**  
as Guarantor

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**SALE AND PURCHASE AGREEMENT**  
relating to 100 per cent. of the issued share  
capital of  
**SUFFICIENT VALUE GROUP LIMITED**

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SIDLEY AUSTIN  
**SIDLEY**

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This Agreement is made on 28 day of March 2012.

**Between:**

- (1) **Fit Generation Holding Limited**, a limited liability company incorporated in the British Virgin Islands, whose registered office is at Palm Grove House, P. O. Box 438, Road Town, Tortola, British Virgin Islands (the “**Seller**”);
- (2) **China Data Broadcasting Holdings Limited**, a company listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (stock code: 8016) and incorporated in Bermuda, whose principal place of business in Hong Kong is at Unit 3701, 37/F., West Tower Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (the “**Purchaser**”); and
- (3) **Changhong (Hong Kong) Trading Limited**, a company established under the laws of the Hong Kong with limited liability and whose registered office is Unit 3701, 37/F., West Tower Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong (the “**Guarantor**”),

(together the “**Parties**”, and each a “**Party**”).

**Whereas:**

- (A) Sufficient Value Group Limited is a company incorporated in the British Virgin Islands (the “**Company**”). Further particulars of the Company are set out in Schedule 1. The Seller is the legal and beneficial owner of the entire issued share capital of the Company.
- (B) The Company has a wholly-owned subsidiary, Changhong (Hong Kong) Enterprises (as defined below) which in turn has a 90 per cent. equity interest in Changhong IT (as defined below).
- (C) The Purchaser has agreed to purchase, and the Seller has agreed to sell, the entire issued share capital of the Company upon the terms and subject to the conditions under this Agreement.
- (D) The Guarantor has agreed to guarantee the obligations of the Seller under this Agreement.

**IT IS AGREED** as follows:

**1 Interpretation**

In this Agreement, unless the context otherwise requires, the provisions in this Clause 1 apply:

**1.1 Definitions**

“**Agreed Form**” means, in relation to a document, such document in the terms as mutually agreed between the Purchaser and the Seller;

**“Applicable Law”** means, with respect to any person, any laws, rules, regulations, directives, decrees, treaties, or orders of any Governmental Entity, that are applicable to and binding on such person;

**“Business Day”** means any day (other than a Saturday, a Sunday or a public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business provided that where, as a result of a typhoon signal number 8 (or above) or a black rainstorm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, any such day shall not be a "Business Day" unless the Parties otherwise determine;

**“Changhong (Hong Kong) Enterprises”** means Changhong (Hong Kong) Enterprises Limited, a company incorporated in Hong Kong, particulars of which are set out in Schedule 1 of this Agreement;

**“Changhong IT”** means Changhong IT Information Products Co., Ltd, (formerly known as Sichuan Changhong Zarva Information Technology Products Co., Ltd.), a company established under the laws of the PRC, particulars of which are set out in Schedule 1 of this Agreement;

**“Completion”** means the completion of the sale and purchase of the Sale Shares pursuant to Clauses 7.1 and 7.2 of this Agreement;

**“Completion Date”** means the date on which Completion takes place;

**“Company”** has the meaning given to it in Recital (A);

**“Encumbrance”** means any charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing;

**“GEM”** means The Growth Enterprise Market of the Stock Exchange;

**“GEM Listing Rules”** means Rules Governing the Listing of Securities on the GEM;

**“Governmental Entity”** means any supra national, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi governmental authority;

**“HKIAC”** has the meaning given to it in Clause 11.12.2;

**“Hong Kong”** means the Hong Kong Special Administrative Region of the PRC;

**“Long Stop Date”** means the date falling on the expiry of six (6) months from the date of this Agreement or at such later date as may be mutually agreed between the Purchaser and the Seller in writing;

**“Material Adverse Effect”** means any change, circumstance, occurrence, fact, event

or effect that, individually or in the aggregate, has had or is likely to have a material adverse effect on the business, condition (financial or otherwise), assets, liabilities or results of operation, turnover, financial or trading position of the Target Group as a whole or the Purchaser Group (as the case may be);

“**New Ordinary Shares**” means 135,000,000 new Ordinary Shares to be allotted and issued by the Purchaser to the Seller at an issue price of HK\$1.00 per Ordinary Share;

“**New Convertible Preference Shares**” means 1,877,868,000 new non-redeemable convertible preference shares to be allotted and issued by the Purchaser to the Seller at an issue price of HK\$1.00 per non-redeemable convertible preference share, which shall carry the rights and privileges set out in Schedule 5 of this Agreement;

“**Ordinary Shares**” means ordinary shares of HK\$0.025 each in the share capital of the Purchaser and “**Ordinary Share**” means any one of them;

“**Parties**” has the meaning given to it in the Preamble and “**Party**” means any one of them;

“**PRC**” means the People’s Republic of China (excluding for the purposes of this Agreement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);

“**Purchase Consideration**” has the meaning given to it in Clause 3;

“**Purchaser**” has the meaning given to it in the Preamble;

“**Purchaser’s Group**” means the Purchaser and its subsidiaries from time to time;

“**Purchaser’s Warranties**” means the warranties and representations given by the Purchaser to the Seller pursuant to Clause 8.6 and Schedule 4, and “**Purchaser’s Warranty**” means any one of them;

“**Sale Shares**” means two (2) issued ordinary shares, representing the entire issued share capital of the Company;

“**Seller**” has the meaning given to it in the Preamble;

“**Seller’s Group**” means the Seller and its subsidiaries from time to time;

“**Seller’s Warranties**” means the warranties and representations given by the Seller pursuant to Clause 8.1 and Schedule 3 and “**Seller’s Warranty**” means any one of them;

“**Sichuan Changhong Concert Party Group**” means Sichuan Changhong Electric Co., Ltd and parties acting in concert with it (as defined under the Takeovers Code);

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Takeovers Code**” means the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong (as the same may be

amended, modified and/or supplemented from time to time);

“**Target Group**” means the Company and its subsidiaries including Changhong IT and its subsidiaries, taken as a whole, and “**Target Group Company**” means any one of them;

“**Tax Authority**” means any taxing or other authority competent to impose any liability in respect of Taxation or responsible for the administration and/or collection of Taxation or enforcement of any law in relation to Taxation;

“**Taxation**” or “**Tax**” means all forms of taxation (other than deferred tax) and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions and levies and whether levied by reference to income, profits, gains, net wealth, asset values, turnover, added value or otherwise and shall further include payments in respect of or on account of Tax, whenever and wherever imposed and whether chargeable directly or primarily against or attributable directly or primarily to a Target Group Company or any other person and all penalties, charges, costs and interest relating thereto; and

“**Whitewash Waiver**” means a waiver in respect of the obligation of the Sichuan Changhong Concert Party Group to make a mandatory offer to the independent shareholders of the Purchaser in respect of issued Ordinary Shares of the Purchaser not already owned or agreed to be acquired by the Sichuan Changhong Concert Party Group as a result of (i) the issue of the New Ordinary Shares in accordance with Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code and (ii) the issue of the underlying Ordinary Shares upon conversion of the New Convertible Preference Shares, to the Seller.

## **1.2 Singular, plural, gender**

References to one gender include all genders and references to the singular include the plural and vice versa.

## **1.3 References to persons and companies**

References to:

**1.3.1** a person include any individual, company, firm partnership or unincorporated association (whether or not having separate legal personality); and

**1.3.2** a company include any company, corporation or any body corporate, wherever incorporated.

## **1.4 References to subsidiaries and holding companies**

A company is a “**subsidiary**” of another company if that other company, directly or indirectly, through one or more subsidiaries:

**1.4.1** holds a majority of the voting rights in it;

- 1.4.2 is a member or shareholder of it and has the right to appoint or remove a majority of its board of directors or equivalent managing body;
- 1.4.3 is a member or shareholder of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it; or
- 1.4.4 has the right to exercise a dominant influence over it, for example by having the power to give, or by actually giving, directions with respect to its operating and financial policies, with which its directors are obliged to comply.

## 1.5 Modification etc. of Statutes

References to a statute or statutory provision include:

- 1.5.1 that statute or provision as from time to time modified, re-enacted or consolidated whether before or after the date of this Agreement;
- 1.5.2 any past statute or statutory provision (as from time to time modified, re-enacted or consolidated) which that statute or provision has directly or indirectly replaced; and
- 1.5.3 any subordinate legislation made from time to time under that statute or statutory provision.

## 1.6 Schedules etc.

References to this Agreement shall include any Schedules to it and references to Clauses and Schedules are to Clauses of, and Schedules to, this Agreement. References to paragraphs and parts are to paragraphs and parts of the Schedules.

## 1.7 Information

References to books, records or other information mean books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

## 1.8 Non-limiting effect of words

The words "including", "include", "in particular" and words of similar effect shall not be deemed to limit the general effect of the words that precede them.

## **2 Agreement to sell the Sale Shares**

- 2.1** On and subject to the terms of this Agreement, the Seller agrees to sell, and the Purchaser agrees to purchase, the Sale Shares.
- 2.2** The Sale Shares shall be sold free from Encumbrances and together with all rights attaching to it as at Completion (including the right to receive all dividends or distributions declared, made or paid on or after Completion).
- 2.3** The Seller shall procure that on or prior to Completion, any and all rights of pre-emption over the Sale Shares are waived irrevocably by any persons entitled thereto.

## **3 Consideration**

The aggregate consideration payable by the Purchaser to the Seller for the purchase of the Sale Shares under this Agreement shall be HK\$2,012,868,000 (the "**Purchase Consideration**"), which shall be settled in full, as to HK\$135,000,000 by the allotment and issue of 135,000,000 New Ordinary Shares at an issue price of HK\$1.00 each and as to HK\$1,877,868,000, by the allotment and issue of 1,877,868,000 New Convertible Preference Shares at an issue price of HK\$1.00 each, to the Seller (or such other person as the Seller may nominate).

## **4 Guarantee and Indemnity**

- 4.1** In consideration of the Purchaser agreeing to purchase the Sale Shares, the Guarantor hereby unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance and observance by the Seller of all its obligations, undertakings, warranties, indemnities and covenants under or pursuant to this Agreement and agrees to indemnify the Purchaser against all losses, damages, costs and expenses (including reasonable legal costs and expenses) which the Purchaser has reasonably incurred through or arising from any breach by the Seller of such obligations, warranties, undertakings, indemnities or covenants. The liability of the Guarantor as aforesaid shall not be released or diminished by any arrangements or alterations of terms (whether of this Agreement or otherwise) or any forbearance, neglect or delay in seeking performance of the obligations hereby imposed or any granting of time for such performance.
- 4.2** If and whenever the Seller defaults for any reason whatsoever in the performance of any obligation or liability undertaken or expressed to be undertaken by it under or pursuant to this Agreement, the Guarantor shall as soon as practicable upon demand by the Purchaser unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of) the obligation or liability in regard to which such default has been made in the manner prescribed by this Agreement and so that the same benefits shall be conferred on the Purchaser as it would have received if such obligation or liability had been duly performed and satisfied by the Seller. The Guarantor hereby waives any rights which it may have to require the Purchaser to first proceed against or claim payment from the Seller with the intent that as between the Purchaser and the Guarantor the latter shall be liable as principal debtor as if it had entered into all undertakings, agreements and other obligations jointly and severally with the Seller.



- 4.3 This guarantee and indemnity is to be a continuing security to the Purchaser for all obligations, warranties, undertakings, indemnities and covenants on the part of the Seller under or pursuant to this Agreement notwithstanding any settlement of account or other matter or thing whatsoever.
- 4.4 This guarantee and indemnity is in addition to and without prejudice to and not in substitution for any rights or security which the Purchaser may now or hereafter have or hold for the performance and observance of the obligations, undertakings, covenants, indemnities and warranties of the Seller under or in connection with this Agreement.
- 4.5 As a separate and independent stipulation, the Guarantor agrees that any obligation expressed to be undertaken by the Seller under this Agreement (including, without limitation, any moneys expressed to be payable under this Agreement) which may not be enforceable against or recoverable from the Seller by reason of any legal limitation, disability or incapacity of any of them or any other fact or circumstance shall nevertheless be enforceable against or recoverable from the Guarantor as though the same had been incurred by the Guarantor and the Guarantor was the sole or principal obligor in respect thereof and shall be performed or paid by the Guarantor on demand.
- 4.6 The Guarantor warrants, undertakes and represents that it has full power and authority to enter into and perform this Agreement, and the provisions of this Agreement, when executed, will constitute valid and binding obligations on it, in accordance with its terms.
- 4.7 The execution and delivery by the Guarantor of, and the performance of its obligations under this Agreement will neither:
- 4.7.1 (where applicable) result in a breach of any provision of its constitutional documents;
  - 4.7.2 result in a default under, violate, conflict with or give any third party a right to terminate or modify, or accelerate any obligations or liabilities under or result in the creation of any Encumbrance under, any contract, agreement, undertaking or other instrument to which it is a party or by which it or any of its properties or assets, or the equity securities is bound;
  - 4.7.3 result in a breach of any order, judgment or decree of any court or Governmental Entities to which it is a party or by which it is bound; nor
  - 4.7.4 violate any Applicable Law.
- 4.8 All consents, permissions, approvals and agreements of third parties (including Governmental Entities) which are necessary for the Guarantor to obtain in order to enter into and perform this Agreement (where applicable) in accordance with their terms have been unconditionally obtained and are in full force and effect.

## **5 Conditions**

### **5.1 Conditions Precedent**

Completion is conditional upon the satisfaction (or the written waiver by the respective Parties pursuant to Clause 5.3) of the following conditions:

- 5.1.1** each of the covenants, agreements and obligations of the Seller to be performed and complied with on or prior to the Completion Date in accordance with this Agreement having been duly performed or complied with in all material respects on or before Completion Date;
- 5.1.2** the Seller's Warranties and the Purchaser's Warranties being true and accurate and not misleading in all material respects on and as of the Completion Date, as though they had been given and made on such date by reference to the facts and circumstances then subsisting;
- 5.1.3** the approval by the independent shareholders of the Purchaser in general meeting by way of a poll of, amongst others, (i) the purchase by the Purchaser of the Sale Shares; (ii) the proposal for grant of the specific mandate to allot and issue the New Ordinary Shares, the New Convertible Preference Shares and the underlying Ordinary Shares which fall to be issued upon conversion of the New Convertible Preference Shares; (iii) the Whitewash Waiver; and (iv) the possible non-exempt continuing connected transactions and the proposed annual caps on the value of such transactions in accordance with the requirements of the GEM Listing Rules;
- 5.1.4** if applicable, the approval of the transaction contemplated in this Agreement being obtained from the sole shareholder of the Guarantor in accordance with the applicable laws and the requirements of the Shanghai Stock Exchange or other supervisory or regulatory body to which the Guarantor or its sole shareholder is subject;
- 5.1.5** in respect of the Target Group, all necessary licences, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications (if any) which are required and appropriate for the execution and performance of this Agreement and the transaction contemplated under this Agreement having been obtained or made from or to relevant third parties and/or governmental or regulatory authorities or bodies, and not having been revoked prior to Completion;
- 5.1.6** the approval in principle of the Listing Committee of the Stock Exchange of the new listing application and the grant of the Whitewash Waiver by the Executive of the Securities and Futures Commission being obtained by the Purchaser;
- 5.1.7** the Listing Committee of the Stock Exchange agreeing to grant (subject to allotment) the listing of, and permission to deal in, the New Ordinary Shares and the underlying Ordinary Shares which fall to be issued upon conversion of

the New Convertible Preference Shares (and such permission and listing not subsequently being revoked);

**5.1.8** between the date hereof and the Completion Date, no event or series of events shall have occurred which has had or would reasonably be expected to have a Material Adverse Effect on the Target Group; and

**5.1.9** no person having instituted or threatened any action or investigation to restrain, prohibit or otherwise challenge the transaction contemplated by this Agreement (other than those which in the Purchaser's opinion are of a frivolous or vexatious nature and are being contested in good faith and by appropriate proceedings).

## **5.2 Responsibility for Satisfaction**

The Seller shall use all reasonable endeavours to procure the satisfaction of the conditions set out in Clauses 5.1.1, 5.1.2 (in respect of the Seller's Warranties only), 5.1.4, 5.1.5 and 5.1.8, and the Purchaser shall use all reasonable endeavours to procure the satisfaction of the condition set out in Clauses 5.1.2 (in respect of the Purchaser's Warranties only), 5.1.3, 5.1.6 and 5.1.7.

## **5.3 Non-Satisfaction/Waiver**

**5.3.1** The Seller shall give notice to the Purchaser of the satisfaction of the conditions set out in Clauses 5.1.4 (if applicable) and 5.1.5 within two Business Days of becoming aware of the same, and the Purchaser shall give notice to the Seller of the satisfaction of the conditions set out in Clauses 5.1.3, 5.1.6 and 5.1.7 within two Business Days of becoming aware of the same.

**5.3.2** The Purchaser may at any time waive in whole or in part and conditionally or unconditionally the conditions set out in Clauses 5.1.1, 5.1.2 (in respect of the Seller's Warranties only), 5.1.5 and 5.1.8 by notice in writing to the Seller. The Seller may at any time waive in whole or in part and conditionally or unconditionally any of the conditions set out in Clause 5.1.2 (in respect of the Purchaser's Warranties).

**5.3.3** If the conditions in Clause 5.1 are not satisfied or waived on or before the Long Stop Date, save as expressly provided, this Agreement (other than Clauses 1, 4, 9, 10 and 11.2, 11.7 to 11.12) shall lapse and neither the Seller nor the Purchaser shall have any claim against the other, save for any claim arising from breach of any obligation contained in Clause 5.2.

## **6 Pre-Completion**

### **6.1 The Seller's Pre-Completion Obligations**

**6.1.1** Except as otherwise permitted by this Agreement or with the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed) or being in the ordinary and usual course of business of the relevant

Target Group Company, the Seller undertakes to procure, that, between the date of this Agreement and Completion, each Target Group Company:

- (i) shall carry on its business in the ordinary course consistent with past practice in all material respects and to preserve its relationships with its major customers, suppliers and others having business dealings with the Target Group;
- (ii) shall not enter into, or exercise an option in relation to, any agreement or incur any commitment involving any capital expenditure exceeding HK\$10,000,000 (or its equivalent in any foreign currency) in a single or a series of related transactions other in its ordinary and usual course of business;
- (iii) shall not enter into, or exercise an option in relation to, or amend any agreement or incur any commitment with a value exceeding HK\$10,000,000 (or its equivalent in any foreign currency) in a single or a series of related transactions which is not capable of being terminated without compensation at any time with one month's notice or less or which is not in its ordinary and usual course of business;
- (iv) shall not acquire or dispose of, or agree to acquire or dispose of, any material asset, or enter into or amend any agreement or incur any commitment to do so other than in its ordinary and usual course of business;
- (v) shall not acquire or agree to acquire any share, shares or other interest in any company, partnership or other venture;
- (vi) shall not incur any additional borrowings or incur any other indebtedness in the nature of borrowings otherwise than in its ordinary and usual course of business;
- (vii) shall not create, allot or issue any share capital or any option to subscribe for any such share capital;
- (viii) shall not repay, redeem or repurchase any of its share capital;
- (ix) shall not declare, make or pay any dividend or other distribution to any of its shareholders other than the payment by Changhong IT to the Guarantor of dividends which had been declared but not paid for the financial year ended 31 December 2011;
- (x) shall not make any loan (other than the granting of any trade credit in the ordinary and usual course of business) to any person;
- (xi) shall not, in relation to any of its property(ies):
  - (a) carry out any material structural alteration or addition to, or materially effect any change of use of, such property;

- (b) terminate or serve any notice to terminate, surrender or accept any surrender of or waive the terms of any lease, tenancy or licence of any property which is material in the context of the relevant Target Group Company;
  - (c) agree any new rent or fee payable under any lease, tenancy or licence of any property which is material in the context of the relevant Target Group Company;
  - (d) enter into or vary any agreement, lease, tenancy, licence or other commitment of any property which is material in the context of the relevant Target Group Company other than the proposed leasing of the premises located at 188 South Fourth Ring Road, Fengtai District, Beijing, PRC of approximately 6348 square meters by Changhong IT from Sichuan Changhong and which annual rental payable per month shall not exceed the reasonable range of the prevailing market rent for similar properties in the vicinity;
  - (e) sell, convey, transfer, assign or charge any property or grant any rights or easements over any property or enter into any covenants or other Encumbrance affecting any property or agree to do any of the foregoing;
- (xii) shall not enter into any guarantee, indemnity or other agreement to secure any obligation of a third party or create any Encumbrance over any of its assets or undertaking;
  - (xiii) shall not make any change to its accounting practices or policies or amend its constitutional documents save as required under the Applicable Law;
  - (xiv) shall not, in respect of Tax:
    - (a) make any material change to any of its methods, policies, principles or practices of Tax accounting or methods of reporting or claiming income, losses, or deductions for Tax purposes;
    - (b) enter into any material agreement with any Tax Authority, or terminate or rescind any material agreement with a Tax Authority that is in effect on the date of this Agreement;
    - (c) make or amend any material claim, election or option relating to Taxation; or
    - (d) amend any tax return in any material respect in each case to the extent that any of the foregoing could reasonably be expected to increase Tax liabilities following Completion save to the extent that the relevant matter or action:

- (e) is consistent with the past practice of the relevant Target Group Company; or
- (f) is undertaken in order to comply with any law or the published practice of any Tax Authority.

For the avoidance of doubt, nothing in this Clause shall restrict the rights of the Seller or any Target Group Company to bring, resist or deal with any appeal, assessment or dispute in such manner as it sees fit.

## **6.2 Termination - Breach of Clause 6.1**

Without prejudice to Clauses 5.3, 7.3 or 8.5, and in addition to and without prejudice to all rights and remedies available to the Purchaser including the right to claim damages, indemnification or other compensation, if, prior to Completion, the Seller is in breach of any of its undertakings in Clause 6.1 and such breach could reasonably be deemed to result in a Material Adverse Effect on the Target Group and/or the Seller and remains unremedied for more than 14 Business Days after the Purchaser has notified the Seller in writing of a request for the Seller to remedy such breach or, if earlier, any such breach is not remedied on or prior to the Completion Date, the Purchaser shall be entitled, prior to Completion, by notice in writing to the Seller to terminate this Agreement (other than Clauses 1, 4, 9, 10, 11.2 and 11.7 to 11.12).

## **7 Completion**

### **7.1 Date and Place**

Subject to Clauses 5, 7.3 and 8.5, Completion shall take place on the 5<sup>th</sup> Business Day from and excluding the day on which the last of the conditions set out in Clause 5.1 have been satisfied or waived pursuant to Clauses 5.3.1 or 5.3.2 (as the case may be) or such time, date and place as may be mutually agreed by the Seller and the Purchaser.

### **7.2 Completion Events**

On Completion, the Seller and the Purchaser shall comply with their respective obligations specified in Schedule 2.

### **7.3 Breach of Completion Obligations**

Without prejudice to Clauses 5.3, 6.2, and 8.5, if the Seller or the Purchaser (the “defaulting Party”) fails to comply with any obligation in Clause 7.2 and Schedule 2 the non-defaulting Party shall be entitled (in addition to and without prejudice to all rights and remedies available to the non-defaulting Party including the right to claim damages, indemnification or other compensation) by written notice to the defaulting Party:

- 7.3.1** to terminate this Agreement (other than Clauses 1, 4, 9, 10, 11.2 and 11.7 to 11.12) without liability on its part; or

- 7.3.2 to effect Completion so far as practicable having regard to the defaults which have occurred; or
- 7.3.3 to fix a new date for Completion (being not more than 20 Business Days after the agreed date for Completion) in which case Clause 7.2 and Schedule 2 shall apply to Completion as so deferred but provided such deferral may only occur once.

## **8 Warranties**

### **8.1 Seller's Warranties**

- 8.1.1 The Seller warrants, represents and undertakes to the Purchaser that the information set out in Schedule 1 and each of the statements set out in Schedule 3 are true and accurate and not misleading in all respects as of the date of this Agreement and will as at the Completion Date be, true and accurate in all respects.
- 8.1.2 Each of the Seller's Warranties shall be separate and independent and shall not be limited by reference to any other paragraph of Schedule 3 or by any other term in this Agreement.
- 8.1.3 The Seller acknowledges that the Purchaser has entered into this Agreement in reliance upon the Seller's Warranties.
- 8.1.4 [intentionally omitted.]
- 8.1.5 Where any statement in the Seller's Warranties is qualified by the expression "to the best knowledge of the Seller" or any similar expression, that statement shall be deemed to include an additional statement that it has been made after due and careful enquiry.
- 8.1.6 The Seller shall use its reasonable endeavours to procure that (save only as may be necessary to give effect to this Agreement) neither it nor any Target Group Company shall do, allow or procure any act or omission before Completion which would constitute a breach of any of the Seller's Warranties if they were given at Completion or which would make any of the Seller's Warranties inaccurate or misleading if they were so given.
- 8.1.7 The Seller shall give and undertake to give to the Purchaser and its advisers before Completion all such information and documentation relating to the Target Group as such Purchaser may reasonably require to enable it to satisfy itself as to the accuracy and due observance of the Seller's Warranties.

## **8.2 Notification**

### **8.2.1** If after the signing of this Agreement:

- (i) the Seller becomes aware that any of the Seller's Warranties was untrue, inaccurate or misleading as of the signing of this Agreement; or
- (ii) any event occurs or matter arises (including any omission to act) of which the Seller becomes aware which results or may result in any of the Seller's Warranties being inconsistent, untrue, inaccurate or misleading at Completion, had the Seller's Warranties been repeated on Completion or would reasonably be expected to have a Material Adverse Effect,

the Seller shall forthwith notify the Purchaser in writing and in any event prior to Completion setting out full details of the matter and the Seller shall make any investigation concerning the event or matter and take such action, at its own cost, as the Purchaser may require.

**8.2.2** Any notification pursuant to Clause 8.2.1 shall not operate as a disclosure to the Seller's Warranties and the Seller's Warranties shall not be subject to such notification.

## **8.3 Updating of the Seller's Warranties to Completion**

The Seller further warrants and represents to the Purchaser that the Seller's Warranties will be true and accurate and not misleading at Completion as if they had been repeated at Completion.

## **8.4 The Seller's Waiver of Rights against the Target Group**

The Seller undertakes to the Purchaser and to the members of the Target Group and their respective directors, officers and agents to waive any rights, remedies or claims which it may have in respect of any misrepresentation, inaccuracy or omission in or from any information or advice supplied or given by the Company or any Target Group Company or their respective directors, officers or agents in connection with assisting the Seller in the giving of any Seller's Warranty (save where there is any fraud or gross negligence on the part of the Company or any Target Group Company or their respective directors, officers or agents).

## **8.5 Termination Rights**

**8.5.1** Without prejudice to Clauses 5.3, 6.2, 7.3 and 8.2, if at any time prior to Completion, (i) the Seller or the Purchaser is in breach of any Seller's Warranty or Purchaser's Warranty (as the case may be); or (ii) the Seller or the Purchaser is in breach of any Seller's Warranty or Purchaser's Warranty (as the case may be) where such breach would result in a Material Adverse Effect, the Seller or the Purchaser (as the case may be) shall be entitled (in addition to and without prejudice to all rights and remedies available to it including the right to claim damages, indemnification or other compensation), prior to



Completion, by notice in writing to the other Party to terminate this Agreement (other than Clauses 1, 4, 9, 10, 11.2 and 11.7 to 11.12).

- 8.5.2** Any failure by the Purchaser or the Seller (as the case may be) to exercise the right to terminate this Agreement under Clause 8.5.1 shall not constitute a waiver of any other rights of such Party arising out of any breach of any Seller's Warranty or Purchaser's Warranty (as the case may be), representation or obligation.

## **8.6 Purchaser's Warranties**

- 8.6.1** The Purchaser warrants and represents to the Seller that the statements set out in Schedule 4 are true and accurate and not misleading in all respects as of the date of this Agreement and will as at the Completion Date be, true and accurate in all material respects.

- 8.6.2** The Purchaser acknowledges that the Seller has entered into this Agreement in reliance upon the Purchaser's Warranties.

## **8.7 Updating of the Purchaser's Warranties to Completion**

The Purchaser further warrants and represents to the Seller that the Purchaser's Warranties will be true and accurate and not misleading at Completion as if they had been repeated at Completion.

## **9 Indemnities**

- 9.1** Without prejudice to generality of any claim under this Agreement, including any claim by the Purchaser for breach of any Seller's Warranty, the Seller agrees and undertakes to pay to the Purchaser an amount equal to any Taxation or any additional Taxation for which the Purchaser or any Target Group Company becomes liable (or would be liable but for the availability of a Tax relief) as a result of the Seller's failure to pay, delayed payment of, or omit to make any applicable submissions, returns or filings in respect of any Tax on the transaction contemplated under this Agreement as assessed against the Seller or any Target Group Company by any relevant Tax Authority or any Applicable Law.
- 9.2** Without prejudice to Clause 9.1, the Seller agrees to indemnify the Purchaser, and at the Purchaser's direction, any Target Group Company, upon demand against all losses, damages, payments (tax or otherwise), penalties, charges, costs and expenses which any of the Purchaser and/or any Target Group Company may incur or suffer in relating to, as a result of or in connection with the exercise by any mortgagee under any of the mortgage agreements in respect of certain premises leased by the relevant Target Group Company or the absence of obtaining any building ownership certificates in respect of certain premises leased by the relevant Target Group Company.

## **10 Confidentiality**

### **10.1 Announcements**

No announcement or circular in connection with the existence or the subject matter of this Agreement shall be made or issued by or on behalf of any Party (or its holding company) unless such is required under the GEM Listing Rules or the Applicable Law or any rules of the any stock exchange in the PRC or such Party first consults with the other Party, in so far as is reasonably practicable.

### **10.2 Confidentiality**

**10.2.1** Subject to Clauses 10.1 and 10.2.2, each of the Parties shall treat as strictly confidential and not disclose or use any information received or obtained as a result of entering into this Agreement (or any agreement entered into pursuant to this Agreement) which relates to:

- (i) the existence and the provisions of this Agreement and of any agreement entered into pursuant to this Agreement;
- (ii) the negotiations relating to this Agreement (and any such other agreements);
- (iii) (in the case of the Seller and the Guarantor) any information relating to the business, financial or other affairs (including future plans and targets) of the Purchaser's Group; or
- (iv) (in the case of the Purchaser) any information relating to the business, financial or other affairs (including future plans and targets) of the Target Group prior to Completion or the Seller's Group.

**10.2.2** Clause 10.2.1 shall not prohibit disclosure or use of any information if and to the extent:

- (i) the disclosure or use is required by law, any regulatory body or any recognised stock exchange;
- (ii) the disclosure or use is required to vest the full benefit of this Agreement in the Seller or the Purchaser;
- (iii) the disclosure or use is required for the purpose of any arbitral or judicial proceedings arising out of this Agreement or any other agreement entered into under or pursuant to this Agreement or the disclosure is made to a Tax Authority in connection with the tax affairs of the disclosing Party;
- (iv) the disclosure is made to professional advisers or actual or potential financiers of any Party on a need to know basis;

- (v) the information is or becomes publicly available (other than by breach of this Agreement);
- (vi) the other Parties has given prior written approval to the disclosure or use; or
- (vii) the information is independently developed after Completion,

provided that prior to disclosure or use of any information pursuant to Clause 10.2.2(i), (ii) or (iii), except where prohibited by Applicable Law or in the case of disclosure to a Tax Authority, the Party concerned shall promptly notify the other Parties of such requirement with a view to providing that other Party with the opportunity to contest such disclosure or use or otherwise to agree the timing and content of such disclosure or use.

## **11 Other Provisions**

### **11.1 Further Assurances**

The Seller shall from time to time execute such documents and perform such acts and things as the Purchaser may reasonably require to transfer the Sale Shares to the Purchaser.

### **11.2 Whole Agreement**

This Agreement contains the whole agreement between the Seller and the Purchaser relating to the subject matter of this Agreement at the date of this Agreement to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the Seller and the Purchaser in relation to the matters dealt with in this Agreement.

### **11.3 Reasonableness**

Each of the Seller and the Purchaser agrees that the provisions of this Agreement, all documents entered into pursuant to this Agreement are fair and reasonable.

### **11.4 Assignment**

Except as otherwise expressly provided in this Agreement, none of the Parties may without the prior written consent of the other Party, assign, grant any security interest over, hold on trust or otherwise transfer the benefit or burden of the whole or any part of this Agreement.

### **11.5 Time is of Essence**

Time shall be of the essence of this Agreement.

## 11.6 Variation

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the Seller and the Purchaser.

## 11.7 Costs, Transaction Taxes and Duties

11.7.1 The Parties agree that each of them shall bear its own respective costs in connection with the preparation and negotiation of, and the entry into, this Agreement.

11.7.2 The Purchaser and the Seller shall bear the cost of all notarial fees (where applicable), and all registration and stamp duties payable as a result of the transaction contemplated by this Agreement in equal shares.

11.7.3 The Vendor irrevocably and unconditionally undertakes to bear all applicable taxes and all costs, expenses and penalties (if applicable) on such taxes payable to the relevant Governmental Entity in connection with or arising from the sale of the Sale Shares to the Purchaser.

## 11.8 Notices

11.8.1 Any notice or other communication in connection with this Agreement (each, a "Notice") shall be:

- (i) in writing in Chinese;
- (ii) delivered by hand, registered post or by courier using an internationally recognised courier company; or
- (iii) via electronic mail.

11.8.2 A Notice to the Seller shall be sent to the following address, or such other person or address as the Seller may notify to the other Parties from time to time:

Fit Generation Holding Limited

Correspondence Address: Unit 2507, Shenzhen Changhong Technology Building, South Zone, Tech Park, Nashan, Shenzhen, China

Attention: Zhao Qilin

Email addresses: Zhao.ql@changhong.com

11.8.3 A Notice to the Purchaser shall be sent to the following address, or such other person or address as the Purchaser may notify to the other Parties from time to time:

China Data Broadcasting Holdings Limited

Correspondence Address: Unit 3701, 37/F., West Tower, Shun Tak Centre,  
168-200 Connaught Road Central, Hong Kong

Attention: Jason Tang

Email address: Jason.tang@cdb-holdings.com.hk

With a copy to:

Sidley Austin

Correspondence Address: 39/F, Two International Finance Centre, Central,  
Hong Kong

Attention: Raymond Oh

Email address: roh@Sidley.com

- 11.8.4** A Notice to the Guarantor shall be sent to the following address, or such other person or address as the Guarantor may notify to the other Parties from time to time:

Changhong (Hong Kong) Trading Limited

Correspondence Address: Unit 3701, 37/F., West Tower Shun Tak  
Centre, 168-200 Connaught Road, Central,  
Hong Kong

Attention: Liu Jianhua (Tony)

Email address: Jianhua.liu@changhong.com

With a copy to:

Sidley Austin

Correspondence Address: 39/F, Two International Finance Centre, Central,  
Hong Kong

Attention: Raymond Oh

Email address: roh@Sidley.com

- 11.8.5** A Notice shall be effective upon receipt and shall be deemed to have been received:

- (i) 60 hours after posting, if delivered by registered post; or

- (ii) at the time of delivery, if delivered by hand or courier; or
- (iii) at the time of sending, if sent by email, provided that receipt shall not occur if the sender receives an automated message indicating that the email has not been delivered to the recipient.

## **11.9 Invalidity**

**11.9.1** If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, the provision shall apply with whatever deletion or modification is necessary so that the provision is legal, valid and enforceable and gives effect to the commercial intention of the Parties.

**11.9.2** To the extent it is not possible to delete or modify the provision, in whole or in part, under Clause 11.9.1, then the Parties shall use reasonable endeavours to agree to replace such illegal or unenforceable (as the case may be) provision with a legal, valid and enforceable one which comes as close as possible to the purpose of such illegal, invalid or unenforceable (as the case may be) provision.

## **11.10 Counterparts**

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument.

## **11.11 Damages may not be Adequate**

Without prejudice to any other rights or remedies which a Party may have under this Agreement, the Parties acknowledge and agree that damages may not be an adequate remedy for any breach of this Agreement and the remedies of injunction, specific performance and other non-monetary remedies (in addition to damages) as permitted by Applicable Law are appropriate for any threatened or actual breach of any provision of this Agreement and no proof of special damages shall be necessary for the enforcement of the rights under this Clause 11.11.

## **11.12 Governing Law and Submission to Jurisdiction**

**11.12.1** This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with Hong Kong law.

**11.12.2** All disputes, controversies or claims arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, shall be settled (if not resolved by a non-binding mediation process) by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force from time to time. The place of arbitration shall be in Hong Kong at the Hong Kong International Arbitration Centre (the "HKIAC"), and the proceedings shall be conducted in English. The tribunal shall consist of one arbitrator to be appointed by the Chairman of the HKIAC. Any such arbitration shall be administered by the HKIAC in accordance with the

HKLIAC Procedures for Arbitration in force at the Completion Date including such additions to the UNCITRAL Arbitration Rules as are therein contained. An award by the arbitrator shall be final and conclusive and binding upon the parties and shall not be subject to further appeal.

- 11.12.3** Each of the Parties irrevocably submits to the non-exclusive jurisdiction of the courts of Hong Kong to support and assist the arbitration process pursuant to Clause 11.12.2, including if necessary the grant of interlocutory relief pending the outcome of that process.

### **11.13 Independent Legal Advice**

Each of the Parties hereto acknowledges and represents and warrants that it has the right to seek independent legal advice in relation to its obligations and liabilities under this Agreement and it has obtained independent legal advice in relation to its obligations and liabilities under this Agreement.

### **11.14 Appointment of Process Agent**

- 11.14.1** The Seller irrevocably appoints and the Guarantor hereby irrevocably accepts its appointment as the Seller's agent to accept service of process in Hong Kong in any legal action or proceedings arising out of this Agreement, service upon whom shall be deemed completed whether or not forwarded to or received by the Seller.
- 11.14.2** The Seller agrees to inform the Purchaser in writing of any change of address of its process agent within five Business Days of such change.
- 11.14.3** If the Guarantor or any new process agent of the Seller ceases to be able to act as such or to have an address in Hong Kong, the Seller irrevocably agrees to appoint a new process agent in Hong Kong acceptable to the Purchaser and to deliver to the Purchaser within 10 Business Days a copy of a written acceptance of appointment by the process agent.
- 11.14.4** Nothing in this Agreement shall affect the right to serve process in any other manner permitted by law.





## Schedule 1

### Details of the Company and its subsidiaries

#### Particulars of the Company

Name of Company:	Sufficient Value Group Limited
Registered number:	1639963
Registered office:	Palm Grove House, P. O. Box 438, Road Town, Tortola, British Virgin Islands
Date and place of incorporation:	28 March 2011, British Virgin Islands
Authorised and issued share capital:	Authorised share capital: 50,000 ordinary shares of US\$1.00 each Issued share capital: 2 ordinary shares of US\$1.00 each
Shareholder(s) and shares held:	Fit Generation Holding Limited, 2 ordinary shares
Accounting reference date	31 December

#### Particulars of Changhong (Hong Kong) Enterprises

Name of Company:	Changhong (Hong Kong) Enterprises Limited
Registered number:	1610141
Registered office:	Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Date and place of incorporation:	1 June 2011, Hong Kong
Authorised and issued share capital:	Authorised share capital: 20,000 ordinary shares of HK\$1.00 each Issued share capital: 10,001 ordinary shares of HK\$1.00 each
Shareholders and shares held:	Sufficient Value Group Limited, 10,001 ordinary shares
Accounting reference date	31 December

### **Particulars of Changhong IT**

Name of Company: Changhong IT Information Products Co., Ltd

Registered number: 510708000000413

Principal place of business: Room 501, Changhong Technology Centre  
No. 35 Mianxing Road East Gaoxin District  
Mianyang City Sichuan Province the PRC

Date and place of establishment: 13 October 2004 / PRC

Registered capital: RMB200,000,000

Shareholder(s) and equity interest held: Changhong (Hong Kong) Enterprises as to 90 per cent. and the remaining 10 per cent. equity interest held by Mr. Zhu Jianqiu (managing director of Changhong IT) is subject to an employee dividend incentive plan implemented by Changhong IT in 2006 pursuant to which certain management and key staff of Changhong IT are entitled to receive certain portion of dividends paid by Changhong IT to Mr. Zhu Jianqiu

Accounting reference date 31 December

### **Particulars of Beijing Changhong IT Intelligence System Co., Ltd.**

Name of Company: Beijing Changhong IT Intelligence System Co., Ltd.

Registered number: 110117013336596

Principal place of business: No. 402 Huangsongyudong Road  
Huangsongyu Xiang Pinggu District Beijing  
the PRC

Date and place of establishment: 3 November 2010 / PRC

Registered capital: RMB50,000,000

Shareholder(s) and equity interest held: Changhong IT and Changhong IT Digital each own 50 per cent. of its equity interest

Accounting reference date 31 December

**Particulars of Changhong IT Digital Technology Co., Ltd (“Changhong IT Digital”)**

Name of Company:	Changhong IT Digital Technology Co., Ltd
Registered number:	510703000009341
Principal place of business:	No.12, Xiyi Xiang, South Section of Changhong Road, Fucheng District, Mianyang City
Date and place of establishment:	12 August 2008 / PRC
Registered capital:	RMB50,000,000
Shareholder(s) and equity interest held:	Changhong IT as to 100 per cent. of its equity interest
Accounting reference date	31 December

## Schedule 2

### Completion Obligations

#### 1 Deliverables

##### 1.1 On Completion, the Seller shall deliver or make available to the Purchaser the following:

1.1.1 the original duly executed certificate in Agreed Form confirming that (a) all the Seller's Warranties shall be true and accurate in all respects on the date of this Agreement and as at the Completion Date, (b) none of the obligations, covenants and undertakings of the Seller under this Agreement has been breached, and (c) the consummation of the transaction contemplated hereunder by the Seller shall have been approved, or met with consents from the relevant Governmental Entity where necessary and shall not have been restrained, enjoined or otherwise prohibited by any Applicable Law, including any order, injunction, decree or judgement of any court or other Governmental Entity;

1.1.2 the original executed instrument of transfer in respect of the Sale Shares duly executed by the Seller in favour of the Purchaser (or such person as the Purchaser may direct);

1.1.3 a certified true copy of the resolutions of the directors and/or shareholders' resolutions (if applicable) of the Seller duly passed in the Agreed Form authorising the execution, delivery and performance by the Seller of its undertakings, obligations and covenants this Agreement and the transaction contemplated herein and approving the appointment of any person(s) nominated by the Purchaser as a director(s) of the Company if required;

1.1.4 the original share certificate in respect of the Sale Shares issued under the common seal of the Company in the name of the Seller and a new share certificate of the Company in respect of the Sale Shares dated the Completion Date and issued in the name of the Purchaser (or such person as the Purchaser may direct); and

1.1.5 to the extent that these items are in the possession of the Seller, the certificates of incorporation, business licences, cheque books, statutory registers and other books and records, common seals, official seals and official chops in respect of the Company (including without limitation any company stamps or chops held by any persons in respect of the Company).

##### 1.2 On Completion, the Purchaser shall:

1.2.1 deliver or make available to the Seller a copy (certified to be a true copy of a resolution in force at Completion) of the resolutions of the directors and shareholders of the Purchaser authorising, amongst others, the execution, delivery and performance by the Purchaser of this Agreement, the allotment and issue of the New Ordinary Shares and the New Convertible Preference Shares and the share certificate(s) in respect of the New Ordinary Shares and

the New Convertible Preference Shares issued in the name of the Seller (or such person as the Seller may nominate);

- 1.2.2 the original duly executed certificate in Agreed Form confirming that (a) all the Purchaser's Warranties shall be true and accurate in all material respects on the date of this Agreement and at all times up to and including the Completion Date, (b) none of the obligations, covenants and undertakings of the Purchaser under this Agreement has been breached, and (c) the consummation of the transaction contemplated hereunder by the Purchaser shall have been approved, or met with consents from, the relevant Governmental Entity where necessary and shall not have been restrained, enjoined or otherwise prohibited by any Applicable Law, including any order, injunction, decree or judgement of any court or other Governmental Entity; and
- 1.2.3 deliver to the Seller an original share certificate in respect of the New Ordinary Shares dated the Completion Date and issued in the name of the Seller (or such other person as the Seller may nominate) and an original share certificate in respect of the New Convertible Preference Shares dated the Completion Date and issued in the name of the Seller (or such other person as the Seller may nominate).

## **2 Further Obligations**

### **2.1 General Obligations**

On Completion, the Seller shall do the following:

#### **2.1.1 procure that resolutions of the directors of the Company are passed:**

- (i) approving the transfer of the Sale Shares and the acceptance of the instrument of transfer and registration of the Purchaser (or such other person as it may nominate) as the holder of the Sale Shares in the register of members of the Company with effect from Completion;
- (ii) if required by the Purchaser, approving the appointment of each of the persons nominated by the Purchaser as director of the Company, such appointments to take effect at Completion and the making of all necessary filings with the applicable Governmental Entity in relation to the change and/or appointment of directors; and
- (iii) if required by the Purchaser, resolving that all existing instructions to banks and the giving of new instructions to such banks in such form as the Purchaser shall direct are approved.

### Schedule 3

#### Seller's Warranties given under Clause 8.1

The Seller makes the following warranties:

#### 1. Warranties on the Sale Shares and the Company

##### 1.1 Corporate Matters

- 1.1.1 All of the details of the Company shown in Schedule 1 are true, accurate and complete.
- 1.1.2 The Company is a holding company whose sole purpose is to own the entire issued share capital of Changhong (Hong Kong) Enterprises, and does not conduct any business operations in its own name.
- 1.1.3 The Company is validly existing and is a company duly incorporated under the laws of the jurisdiction in which it is incorporated, and has all requisite corporate powers and authority to own property and carry on its business as presently conducted.
- 1.1.4 Since the date of its incorporation, the Company:
- (i) has not traded or carried on any business;
  - (ii) has not made available any outstanding financial facilities (including loans, bonds and hedging instruments);
  - (iii) has no liabilities or obligations, whether actual, contingent, present or future;
  - (iv) has not given any guarantee, indemnity or similar assurance against loss or other security (whether legally binding or not);
  - (v) is not liable, by virtue of any act or omission as director, shadow director or "de facto" manager or director of another person, to pay all or part of the debts or liabilities of that person;
  - (vi) does not own, hold or possess any freehold or leasehold property or any other assets including any rights, debts, stock and plant and machinery;
  - (vii) does not have any employees; and
  - (viii) (save for agreements (if any) entered into in the ordinary and usual course of business which will be disclosed to the Purchaser or terminated on or before Completion), is not subject to, and/or has not entered into, any agreement, contract, transaction, arrangement,

obligation, undertaking or understanding (whether legally binding or not) with any party, other than (i) this Agreement, (ii) holding the equity interest in Changhong (Hong Kong) Enterprises as set out in Schedule 1, and (iii) incurring liability to pay Tax, where the liability is incurred in the ordinary course of business and paying that Tax.

## **1.2 Constitutional Documents, corporate registers and minute books**

**1.2.1** In all material respects, the registers, minute books, books of account and other records of whatsoever kind of the Company which are required to be maintained under Applicable Law:

- (i) are up-to-date;
- (ii) are maintained in accordance with Applicable Law on a proper and consistent basis; and
- (iii) contain complete and accurate records of all matters required to be dealt with in such registers, books and records.

**1.2.2** All registers, books and records referred to in paragraph 1.2.1 and all other documents (including documents of title and copies of all subsisting agreements to which the Company is a party) which are the property of the Company or ought to be in its possession or are in the possession (or under the control) of the Company and no notice or allegation that any of such registers, books and records is incorrect or should be rectified has been received.

**1.2.3** All accounts, documents, returns and filings required by law to be delivered or made by the Company to any Governmental Entity (including, but not limited to, any Taxation Authority) have been duly and correctly delivered or made within the time limits (if any) prescribed by any Applicable Law and there has never been any penalty, surcharge, late fee, fine or interest imposed by any Governmental Entity in respect of any accounts, documents, returns or filings that were not supplied to such Governmental Entity within such prescribed time limit.

**1.2.4** There are no breaches by the Company of its constitutional documents (whether as a result of entering into or performing this Agreement or otherwise).

**1.2.5** The register of members of the Company contains complete and accurate records of its members from time to time and all issues and transfers of shares in the capital of the Company have been registered in accordance with the respective constitutional documents of the Company from time to time in force, all such transfers being duly stamped or certified as to nil stamp duty payable prior to registration.

**1.2.6** The Company has complied with all provisions of the Applicable Law and is not liable to pay any fines thereunder and all returns, particulars, resolutions and other documents required under any Applicable Law to be delivered on

behalf of the Company to the applicable Governmental Entity or to any other authority whatsoever have been properly made and delivered in all material respects.

## **2 Seller's Warranties**

- 2.1** The Seller has the legal right and full power and authority to enter into and perform this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement.
- 2.2** The documents referred to in paragraph 2.1 will, when executed, constitute valid and binding obligations on the Seller, in accordance with their respective terms.
- 2.3** The execution and delivery, and the performance by the Seller of its obligations under this Agreement and the documents relating to the matters contemplated herein, will not result in a breach of any provision of the constitutional documents of the Seller or its subsidiaries.
- 2.4** The execution and delivery, and the performance by the Seller of its obligations under (as the case may be) this Agreement and the documents relating to the matters contemplated herein, will not:
- 2.4.1** result in a breach of, or constitute a default under, any instrument to which the Seller, or the Company is a party or by which the Seller or the Company is bound and which is material in the context of the transaction contemplated by this Agreement;
  - 2.4.2** result in a breach of any order, judgement or decree of any court or governmental agency to which the Seller or the Company is a party or by which the Seller or the Company is bound and which is material in the context of the transaction contemplated by this Agreement; or
  - 2.4.3** require the Seller or the Company to obtain any consent or approval of, or give any notice to or make any registration with, any Governmental Entity or other authority which has not been obtained or made at the date of this Agreement.
- 2.5** The Seller has taken or will have taken by Completion all corporate action required by it to authorise it to enter into and to perform this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement.
- 2.6** The Seller:
- (a) is the sole legal and beneficial owner of the Sale Shares; and
  - (b) has the right to exercise all voting and other rights over the Sale Shares.
- 2.7** The Sale Shares comprises the entire issued share capital of the Company, have been properly and validly issued and allotted and has been fully paid.



2.8 There is no Encumbrance on, over or affecting the Sale Shares, and there is no commitment to give or create any and no claim has been made by any person to be entitled to any.

2.9 All consents for the transfer of the Sale Shares have been obtained or will be obtained by Completion.

### **3 Warranties on the Target Group Companies**

#### **3.1 Corporate Matters**

3.1.1 All of the details of the Target Group Companies shown in Schedule 1 are true, accurate and complete.

3.1.2 Each of the Target Group Companies has been duly incorporated or established and is validly existing under the Applicable Law, has obtained all necessary approvals from the relevant Governmental Entity to own its assets and to lawfully conduct and operate its business as presently conducted and all such approvals are valid and subsisting and, to the best knowledge of the Seller, there is no reason why any of them should be suspended, cancelled or revoked.

3.1.3 To the best knowledge of the Seller, no event or circumstance exists that may (with or without the giving of notice or the lapse of time or both) (a) constitute or result, directly or indirectly, in a violation of or a failure to comply with any term or condition of any such approvals from the relevant Governmental Entities or (b) result, directly or indirectly, in the revocation, withdrawal, suspension, cancellation or termination or non-renewal of, or any modification to, any such approvals from the relevant Governmental Entities. No Target Group Company has received any notice or other communication, to which any matter relates is not resolved or still outstanding, as of the date hereof and at the Completion Date, from any Governmental Entity or any other person regarding (a) any actual, alleged, possible or potential violation of or failure to comply with any term or requirement of any such approvals from the relevant Governmental Entities, or (b) any actual, proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination of or modification to any such approvals from the relevant Governmental Entities.

3.1.4 No order has been made or petition presented or resolution passed or meeting convened (or other similar process) for the winding up or bankruptcy of any Target Group Company and no distress, execution or other process has been levied on any of its assets. No Target Group Company is insolvent nor unable to pay its debts due for payment, no receiver or manager or liquidation committee or liquidator or similar committee or official has been appointed by any person of its business or material assets or any substantial part thereof, and no power to make any such appointment has arisen. No Target Group Company has taken steps to enter liquidation and there are no valid grounds on which a petition or application could be based for the winding up or

bankruptcy or appointment of a receiver or manager or liquidation committee or liquidator or similar committee or official of any Target Group Company.

- 3.1.5 All issued shares or equity interest (as the case may be) in the capital of each Target Group Company have been fully paid up.
- 3.1.6 There is no declaration, setting aside or payment or other distribution in respect of any Target Group Company's capital, or any direct or indirect redemption, purchase or other acquisition of any of such capital by such Target Group Company, other than as provided in this Agreement.
- 3.1.7 All amounts received by each of the Target Group Companies have appeared in the appropriate accounting books.
- 3.1.8 None of the Target Group Companies has as of the date hereof and the Completion Date:
  - (i) repaid or redeemed or agreed to repay or redeem any shares of any class of its share capital or otherwise reduced or agreed to reduce any class of its issued share capital or purchased any of its own shares or carried out any transaction having the effect of a reduction of capital; or
  - (ii) given any financial assistance for the purpose of a person acquiring shares in a company in contravention of any Applicable Law.
- 3.1.9 The copies of the constitutional documents of each of the Group Companies were delivered to the Purchaser or its advisers are accurate and complete in all respects and have attached to them copies of all resolutions and agreements which are required to be so attached.
- 3.1.10 The register of members, the register of directors and all other statutory books of the Target Group Companies are up to date and contain true, full and accurate records of all matters required to be dealt with therein and none of the Target Group Companies has received any notice of any application or intended application for rectification of its register.
- 3.1.11 All annual or other corporate returns required to be filed and all annual inspections required to be carried out by or in respect of each of the Target Group Companies with the relevant Governmental Entities have been properly filed or carried out within any applicable time limit and all legal requirements relating to the issue of shares and other securities by all Target Group Companies have been complied with.

## 3.2 Compliance

- 3.2.1 Each of the Target Group Companies has complied with its constitutional documents in all material respects, and has full power, authority and legal right to own its assets and carry on its business.

- 3.2.2** Each Target Group Company has complied in all material respects with all Applicable Law. None of the Target Group Companies has received notice of any violation of any Applicable Law which is still outstanding from any Governmental Entity. To the best knowledge of the Seller, there is no provision of any outstanding governmental judgement, decree or arbitration award or other documents of similar nature applicable to or binding upon any Target Group Company which could or is likely to have a Material Adverse Effect on such Target Group Company.
- 3.2.3** The business of each Target Group Company has been carried on and is being carried on in compliance with all Applicable Law in all material respects; each of the Target Group Companies has complied with and is in compliance with all laws applicable to the ownership of its assets and the conduct of its respective business in all material respects; there has not been any, and there is no proceeding or order outstanding or, to the best knowledge of the Seller, anticipated or threatened against any Target Group Company or any person for whose acts or defaults any Target Group Company may be vicariously liable in connection with its respective business, nor has any notice or other communication (official or otherwise) from any Governmental Entity or other person been issued or, to the best knowledge of the Seller, threatened to be issued, with respect to an alleged, actual, possible or potential violation of or any failure to comply with any such Applicable Law, or requiring it to take or omit any action.
- 3.2.4** All necessary approvals from the relevant Governmental Entities obtained by the Target Group Companies collectively constitute all of the approvals necessary or desirable for the Target Group Companies to lawfully conduct and operate its respective business, and are valid and in full force and effect. All terms and conditions applicable to such approvals have been and are being fully complied with by each of the Target Group Companies in all material respects, and there has been no breach (which has not been rectified or still outstanding) of the terms and conditions of such approvals by any Target Group Company. There is no proceeding outstanding or, to the best knowledge of the Seller, anticipated or threatened that may result in the suspension, cancellation, termination, withdrawal, refusal, modification or non-renewal or revocation of any of such approvals.
- 3.2.5** There is no term or provision of any mortgage, indenture, contract, agreement or instrument to which a Target Group Company is a party or by which it is bound, which could or is likely to have a Material Adverse Effect on such Target Group Company.
- 3.2.6** Neither the carrying on of the Target Group's business, nor the conduct of the Target Group's business as presently proposed, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any Target Group Company is now obligated.

### 3.3 Accounts

- 3.3.1 The audited consolidated accounts of Changhong IT and its subsidiaries for the financial years ended 31 December 2009 and 31 December 2010 and the unaudited consolidated accounts of Changhong IT and its subsidiaries for the financial year ended 31 December 2011 and two months ended 29 February 2012 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.
- 3.3.2 The audited consolidated accounts of Changhong IT and its subsidiaries for the financial years ended 31 December 2009 and 31 December 2010 show a true and fair view of the assets, liabilities, capital commitments and the state of affairs of Changhong IT and its subsidiaries as at the relevant accounts date or of the profits and losses of Changhong IT and its subsidiaries for the period concerned.
- 3.3.3 Since 29 February 2012:
- (i) no Target Group Company has disposed of any asset (including trading stock) or supplied any service or business facility of any kind (including a loan of money or the letting, hiring or licensing of any property whether tangible or intangible) in circumstances where the consideration actually received or receivable for such disposal or supply was less than the consideration which would be deemed to have been received for Tax purposes;
  - (ii) no Target Group Company has assumed or incurred any liabilities (actual or contingent) or expenditure otherwise than in the ordinary and usual course of carrying on its business or entered into any transaction which is not in its ordinary and usual course of business;
  - (iii) no business of any Target Group Company has been materially and adversely affected by the loss of any important contract or customer or source of supply or by any abnormal factor not affecting similar businesses to a like extent and the Seller is not aware of any facts which are likely to give rise to any such effects;
  - (iv) no dividends, bonuses or distributions have been declared, paid or made by any Target Group Company other than the dividends which Changhong IT had declared but not paid for the financial year ended 31 December 2011;
  - (v) no payment in the aggregate in excess of HK\$500,000 has been made by any of the Target Group Companies which will not be deductible for Tax purposes either in computing the profits of the relevant Target Group Company or in computing the Tax chargeable on the Target Group;
  - (vi) no Target Group Company has changed its financial year end;

- (vii) save for resolutions copies of which have been delivered to the Purchaser prior to the date of this Agreement or which are required to be passed by any Target Group Company as referred to in this Agreement, no board or shareholders' resolutions of any of the Target Group Companies have been or will be passed;
- (viii) there has not been any waiver or compromise granted by any Target Group Company of a valuable right or of a material debt owing to it; and
- (ix) there has been no material change to any material contract which any Target Group Company or any of its assets is bound by or subject to.

### **3.4 Taxation**

- 3.4.1** Each of the Target Group Companies has duly and punctually paid all Taxation which is due and which it has become liable to pay and is under no outstanding liability to pay any penalty, interest, surcharge or fine in connection with any Taxation and has complied in all respects with all legislation relating to Taxation applicable to such company.
- 3.4.2** Each of the Target Group Companies has made all such returns and notifications, provided all such information, documents and particulars and maintained all such records in relation to Taxation as are required to be made or provided or maintained by it punctually and none of such returns, notifications, information, documents or particulars is disputed by the relevant Governmental Entity concerned.
- 3.4.3** There has been no communication from any Governmental Entity relating to or affecting the tax classification of each of the Target Group Companies.
- 3.4.4** None of the Group Companies is involved in any dispute in relation to Taxation. To the best of the knowledge of the Seller, there is no relevant Governmental Entity concerned which has investigated or indicated that it intends to investigate the Tax affairs of any Group Company.

### **3.5 Assets**

#### **3.5.1 Title**

- (i) All assets currently employed in the operation of the businesses of each Target Group Company (other than trading stock which is intended to be subsequently disposed of in the ordinary course of business or trading stock acquired subject to retention or reservation of title by the supplier or manufacturer thereof) and all material assets (save and except for the trading stock) used by the Target Group:
  - (a) are legally and beneficially owned by the Target Group free from all Encumbrances; and

- (b) are in the exclusive possession or under the exclusive control of the Target Group.
- (ii) There are no material assets shared with any other entity other than any Target Group Company which are used in connection with the business of such Target Group Company.

### **3.5.2 Book Debts**

- (i) No part of the amount shown in the audited consolidated accounts of Changhong IT and its subsidiaries for the financial years ended 31 December 2009 and 31 December 2010 and the unaudited consolidated accounts of Changhong IT and its subsidiaries for the financial year ended 31 December 2011 and two months ended 29 February 2012 in respect of debtors is represented by debts which are more than 12 months overdue for payment or by debts in respect of arrangements made otherwise than in the ordinary course of any such Target Group Company's business.
- (ii) No debt has been released by Changhong IT or its subsidiaries on terms that the debtor paid less than the book value of his or its debt and no debt owing to any of Changhong IT or its subsidiaries has proved to any extent to be irrecoverable, except for the provision for bad and doubtful debts made in the audited consolidated accounts of Changhong IT and its subsidiaries for the financial years ended 31 December 2009 and 31 December 2010 and unaudited consolidated accounts for the financial year ended 31 December 2011 and two months ended 29 February 2012.

### **3.6 General Commercial Matters**

- 3.6.1** None of the Target Group Companies has capital commitments which exceed HK\$10,000,000 in the aggregate in respect of that Target Group Company other than in those incurred in its ordinary and usual course of business.
- 3.6.2** There are no loans, guarantees, pledges, mortgages, charges, liens, debentures or other Encumbrances given, made or incurred by or on behalf of any Target Group Company which may incur material liability to any Target Group Company, except for those incurred in its ordinary and usual course of business.
- 3.6.3** To the best of the knowledge of the Seller, none of the Target Group Companies is the subject of any official investigation or inquiry by any Governmental Entity.

### **3.7 Properties**

- 3.7.1** The Target Group has exclusive use and undisturbed possession of the land and the buildings erected thereon owned or leased by the Target Group.
- 3.7.2** Save as disclosed in the draft property legal opinion from Jun He Law Offices, the Purchaser's legal counsel (a copy of which is set out in Schedule 6 of this Agreement), the Target Group has good title and has obtained proper housing ownership certificates to the land use right(s) and the properties it leases, free from any mortgage, charge, right of occupation, third party right or other Encumbrances. There are no material facilities or properties shared with any other entity than any Target Group Company which are used in connection with the business of such Target Group Company.
- 3.7.3** The landlords of the properties leased by the Target Group have good title to such properties and have the capacity to lease such properties to the Target Group.
- 3.7.4** The use of land and buildings by the each Target Group Company for operating its businesses does not violate any Applicable Law or terms of the leases for the relevant properties in any material respects.
- 3.7.5** To the best knowledge of the Seller, all buildings erected on the land occupied by the Target Group are in reasonably good and substantial repair and condition and are in such reasonable condition and state of repair as to be substantially fit for the purpose for which they are used at present by the Target Group for operating its businesses.

### **3.8 Confidential Information and Intellectual Property**

- 3.8.1** In this section 3.8.1, Confidential Information means all know-how, lists of customers or suppliers, trade secrets, technical processes or other confidential information belonging to the Target Group or to any third party.
- (i) To the best knowledge of the Seller, none of the Target Group Companies uses any Confidential Information nor is it engaged in any activities which involve the misuse of any Confidential Information belonging to any third party.
  - (ii) To the best knowledge of the Seller, the Target Group's right to use and exploit any Confidential Information are unrestricted and free of Encumbrance and such right shall continue to be available to the Target Group after Completion without substantial increase in cost or expenses for the Target Group.
  - (iii) To the best knowledge of the Seller, none of the Target Group Companies is aware of any actual or alleged misuse by any person of any of its Confidential Information. To the best knowledge of the Seller, none of the Target Group Companies has disclosed to any person any of its Confidential Information except where such

disclosure was properly made in the normal and usual course of its business and was made subject to an agreement under which the recipient is obliged to maintain the confidentiality of such Confidential Information and is restrained from further disclosing it or using it other than for the purposes for which it was disclosed by the Target Group.

**3.8.2** All material intellectual property used in the respective business of the Target Group Companies:

- (i) is owned by each of the Target Group Companies as the sole legal and beneficial owner, free of any licence or Encumbrance in favour of a third party, except as disclosed in the Disclosure Letter; or
- (ii) is used by the Target Group in accordance with the terms of a current licence from the owner of that Intellectual Property, full details of which are set out in the Disclosure Letter.

**3.8.3** Details of the Target Group's intellectual property which is registered are set forth in the Disclosure Letter.

**3.8.4** None of the Target Group's intellectual property has been wrongfully or unlawfully acquired by the Target Group. To the best knowledge of the Seller, no claim under any warranty contained in such documentation has been made or intimated nor are there any grounds on which any such claim could be made.

**3.8.5** The material particulars as to registration (and applications therefor) of the Target Group's intellectual property, including priority and renewal dates, are set forth in the Disclosure Letter. Each of those registrations is valid.

**3.8.6** Each of the Target Group Companies has taken all reasonable steps to preserve the Target Group's intellectual property.

### **3.9 Insurance**

**3.9.1** The Target Group have obtained and will maintain with financially sound and reputable insurance companies, insurance for all its assets in such amounts and against such risks customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations, and as required by Applicable Law.

**3.9.2** To the best knowledge of the Seller, there is no claim outstanding under any such policy and no Target Group Company is aware of any circumstances likely to give rise to such a claim or result in any increased rate of premium.

### **3.10 Contracts**

**3.10.1** No Target Group Company is in breach of or has knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any material contract or has received no notice of any intention to terminate any material contract.



**3.10.2** None of the Target Group Companies has entered into, amended or terminated any material contract.

**3.11 Litigation**

**3.11.1** To the best knowledge of the Seller, there are no actions, suits or proceedings (including arbitration proceedings) pending or threatened against or brought by any Target Group Company other than those already commenced or are expected to be commenced by any Target Group Company in relation to the recovery of account receivables or debts which are owing to the relevant Target Group Company and which were incurred in its ordinary and usual course of business.

**3.11.2** To the best knowledge of the Seller, none of the Target Group Companies is subject to or, in default with respect to, any order, writ, injunction or decrees of any court, tribunal or Governmental Entity, domestic or foreign.

**3.11.3** To the best knowledge of the Seller, there is no unsatisfied judgment, court order or tribunal or arbitral award outstanding against any Target Group Company and no distress, execution or process has been levied on any part of their respective business or assets.

## Schedule 4

### Purchaser's Warranties given under Clause 8.6

1. The Purchaser has the legal right and full power and authority to enter into and perform this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement.
2. The execution and delivery, and the performance by the Purchaser of its obligations under this Agreement and the documents relating to the matters contemplated herein, will not result in a breach of any provision of the constitutional documents of the Purchaser.
3. The execution and delivery, and the performance by the Purchaser of its obligations under (as the case may be) this Agreement and the documents relating to the matters contemplated herein, will not:
  - (a) result in a breach of, or constitute a default under, any instrument to which the Purchaser is a party or by which the Purchaser is bound and which is material in the context of the transaction contemplated by this Agreement;
  - (b) result in a breach of any order, judgement or decree of any court or governmental agency to which the Purchaser is a party or by which the Purchaser is bound and which is material in the context of the transaction contemplated by this Agreement; or
  - (c) require the Purchaser to obtain any consent or approval of, or give any notice to or make any registration with any Governmental Entity or other authority which has not been obtained or made at the date of this Agreement.
4. The Purchaser has taken or will have taken by Completion all corporate action required by it to authorise it to enter into and to perform this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement.

## Schedule 5

### TERMS OF THE NEW CONVERTIBLE PREFERENCE SHARES

#### (1) Definitions

For the purpose of the following terms of the New Convertible Preference Shares, the following terms shall have the following meanings:

“Alternative Stock Exchange”	any stock exchange other than the Hong Kong Stock Exchange on which the Ordinary Shares, if not then listed on the Hong Kong Stock Exchange, are listed;
“Business Day”	a day (excluding Saturday) on which licensed banks are generally open for business in Bermuda and Hong Kong;
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
“Conversion Date”	the Business Day immediately following the date of surrender of the certificate in respect of the relevant New Convertible Preference Shares and delivery of an effective Conversion Notice pursuant to paragraph 6 below;
“Conversion Event”	the conversion of New Convertible Preference Shares by a New Convertible Preference Shareholder pursuant to paragraph 6(a) below;
“Conversion Notice”	a notice served by any New Convertible Preference Shareholder from time to time stating that such

	Preference Shareholder wishes to exercise the Conversion Right in respect of one or more Preference Shares held by such New Convertible Preference Shareholder, in substantially the form prescribed by the Company from time to time;
“Conversion Rate”	the rate for conversion of the New Convertible Preference Shares into Ordinary Shares as determined in accordance with paragraph 6(c) below;
“Conversion Right”	the right, subject to the provisions of paragraph 6 below of New Convertible Preference Shareholders to convert any New Convertible Preference Shares into Ordinary Shares;
“Conversion Price”	as of any Conversion Date, the conversion price, as adjusted from time to time in accordance with paragraph 7 below. The initial conversion price as at the Issue Date is HK\$1.00;
“Converting Shareholder”	a New Convertible Preference Shareholder all or some of whose New Convertible Preference Shares are being or have been converted into Ordinary Shares;
“Dividend”	has the meaning ascribed to it in paragraph 2(a) below;
“GEM”	means the Growth Enterprise Market of Hong Kong Stock Exchange;
“Group”	the Company and its subsidiaries; and the expression “member of the Group” shall be construed accordingly;
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Financial Adviser”	an independent investment bank or financial advisory firm that is licensed under the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) in Hong

	Kong, reasonably selected by the Company and acting as an expert;
“Issue Date”	the date of allotment and issue of the New Convertible Preference Shares;
“Listing Rules”	Rules Governing the Listing of Securities on GEM and/or such other listing rules to which the Company is subject;
“New Convertible Preference Shares”	the convertible cumulative preference shares of HK\$0.025 each in the capital of the Company, the rights of which are set out in these paragraphs;
“New Convertible Preference Shareholder”	a person registered from time to time in the register of members of the Company as a holder of New Convertible Preference Share(s);
“Ordinary Shares”	ordinary shares of HK\$0.025 each in the capital of the Company or, if there has been a sub-division, consolidation, re-classification or re-construction of the ordinary share capital of the Company, such ordinary shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or reconstruction;
“Other Pari Passu Shares”	Shares ranking pari passu as regards dividends with the New Convertible Preference Shares;
“Public Float Requirement”	the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the Shares which are listed on the Hong Kong Stock Exchange shall be held by the public for the purpose of the Listing Rules;
“Record Date”	the date and time by which a subscriber, transferee or holder of securities of the class in question would have to be registered in order to participate or be entitled to in the relevant distribution or rights;
“Reference Amount”	the issue price of the New Convertible Preference Shares;
“Register”	has the meaning given to it in paragraph 9(a) below ;
“SFC”	the Securities and Futures Commission of Hong

Kong;

- “Shares” shares in the capital of the Company;
- “Takeovers Code” the Hong Kong Code on Takeovers and Mergers;
- “Trading Day” any day on which the Hong Kong Stock Exchange (or the Alternative Stock Exchange, as the case may be) is open for the business of dealing in securities.

**(2) Dividend**

- (a) Subject to the Act, each New Convertible Preference Share shall confer on the holder thereof the right to receive out of the funds of the Company available for distribution and resolved to be distributed the dividend *pari passu* with holders of Other *Pari Passu* Shares but otherwise in priority to any other class of Shares from time to time in issue (including the Ordinary Shares)(the “Dividend”).
- (b) No Dividend shall be paid to the holders of any Shares other than the Other *Pari Passu* Shares (and then, only at the same time as the New Convertible Preference Shareholders) unless and until any outstanding Dividend has been paid in full.

**(3) Distribution of Assets**

On a distribution of assets on liquidation, winding-up or dissolution of the Company or otherwise (but not on conversion of New Convertible Preference Shares or any repurchase by the Company of New Convertible Preference Shares or any other Shares), the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority:

- (a) first, in paying to the New Convertible Preference Shareholders and the holders of any Other *Pari Passu* Shares, *pari passu* as between themselves, a sum equal to any arrears and accruals of the Dividend payable respectively on the New Convertible Preference Shares and such Other *Pari Passu* Shares held by them, respectively, to be calculated down to and inclusive of the date of the distribution of assets and to be payable whether or not any of such dividends have been declared and whether or not the Company has sufficient funds available for dividend or distribution;
- (b) secondly, in paying to the New Convertible Preference Shareholders (pro rata to the aggregate of the Reference Amounts of the New Convertible Preference Shares held by each such holder), *pari passu* as between themselves and the holders of any Other *Pari Passu* Shares by reference to the aggregate nominal amounts of the New

Convertible Preference Shares and the Other Pari Passu Shares, an amount equal to, respectively, the aggregate of the Reference Amounts of all of the New Convertible Preference Shares and the issue price of such Other Pari Passu Shares and any premium payable thereon; and

- (c) thirdly, the balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of Shares, other than the New Convertible Preference Shares and any other Shares not entitled to participate in the distribution of such assets, in accordance with the respective rights attaching thereto.

**(4) Ranking of the New Convertible Preference Shares**

Save as expressly provided in these provisions each New Convertible Preference Share shall have the same rights as each of the Ordinary Shares. The Company may issue, without obtaining the consent of the New Convertible Preference Shareholders, Shares ranking senior and in priority to or pari passu with the New Convertible Preference Shares as regards order of the participation in profits or assets and carrying such rights as to rates of dividend, voting, redemption, conversion, exchange or otherwise as the Directors may determine, or as the Company may by ordinary resolution determine.

**(5) Voting**

- (a) The New Convertible Preference Shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, a general meeting of the Company, unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights or privileges of the New Convertible Preference Shareholders or vary the restrictions to which the New Convertible Preference Shares are subject, in which event the New Convertible Preference Shares shall confer on the holders thereof the rights to receive notice of, and to attend and vote at, that general meeting, save that such holders may not vote upon any business dealt with at such general meeting except the election of a Chairman, any motion for adjournment and the resolution for winding-up or the resolution which if passed would (subject to any consents required for such purpose being obtained) so vary or abrogate the rights and privileges of the New Convertible Preference Shareholders or vary the restrictions to which the New Convertible Preference Shares are subject.
- (b) Where New Convertible Preference Shareholders are entitled to vote on any resolution then, at the relevant general meeting or class meeting, on a show of hands every New Convertible Preference

Shareholder who is present in person or by proxy or (being a corporation) by a representative shall have one vote and on a poll every New Convertible Preference Shareholder who is present in person or by proxy or (being a corporation) by a representative shall have one vote for each Ordinary Share into which each New Convertible Preference Share held by him would be converted if the Conversion Date for such New Convertible Preference Share were the date 48 hours preceding the date of such general meeting or class meeting.

**(6) Conversion**

- (a) The New Convertible Preference Shares shall be convertible at the option of the New Convertible Preference Shareholder, at any time after the Issue Date and without the payment of any additional consideration therefor, into such number of fully-paid Ordinary Shares as determined in accordance with the then effective Conversion Rate.
- (b) Subject to paragraph 6(f)(i) below, the number of Ordinary Shares to which a Converting Shareholder shall be entitled upon conversion following a Conversion Event shall be the number obtained by multiplying the Conversion Rate then in effect by the number of New Convertible Preference Shares being converted.
- (c) The Conversion Rate of each New Convertible Preference Share shall be determined by dividing the Reference Amount of each New Convertible Preference Share by the Conversion Price in effect at the time of conversion provided that the Conversion Price shall not be less than the then subsisting nominal value of an Ordinary Share into which such New Convertible Preference Share is convertible.
- (d)
  - (i) Any New Convertible Preference Shareholder who wishes to convert one or more New Convertible Preference Shares held by it pursuant to paragraph 6(a) above shall deliver to the Company at its principal place of business in Hong Kong a Conversion Notice. The Conversion Notice shall be deemed to have been served on the fifth Business Day following the day of posting if sent by registered post (or by pre-paid airmail if posted from outside Hong Kong).
  - (ii) The relevant New Convertible Preference Shareholder shall deliver to the Company at its principal place of business in Hong Kong for surrender the certificate(s) evidencing the New Convertible Preference Shares to be converted or, if such certificates have been lost or destroyed, such evidence of title as the Company may reasonably require, at the same time and together with the Conversion Notice given by such



New Convertible Preference Shareholder pursuant to paragraph 6(d)(i) above.

- (iii) Upon delivery of the Conversion Notice and the certificate(s) evidencing the New Convertible Preference Shares to be converted by the holder thereof to the Company, the Company shall promptly, and in any event no later than 5 Business Days after the date of receipt of such Conversion Notice and certificate(s):
  - (1) issue and deliver to such holder (a) certificate(s) for the number of Ordinary Shares into which the New Convertible Preference Shares are converted in the name as shown on the certificate(s) evidencing the New Convertible Preference Shares so surrendered to the Company; or
  - (2) (if so instructed by the Converting Shareholder in the Conversion Notice) issue in the name of HKSCC Nominees Limited, cause to be deposited into CCASS and credited into the CCASS Investor Participant stock account or the stock account of the designated CCASS Participant as instructed in the Conversion Notice, such number of Ordinary Shares into which the New Convertible Preference Shares are converted,

in each case together with cash in lieu of any fraction of an Ordinary Share in accordance with paragraph 6(f) below.

- (e) The Company shall ensure that at all times there is a sufficient number of unissued Ordinary Shares in its authorized share capital to be issued in satisfaction of the Conversion Rights of the New Convertible Preference Shares.
- (f) (i) No fraction of an Ordinary Share arising on conversion will be allotted to the Converting Shareholder of the relevant New Convertible Preference Share(s) otherwise entitled thereto but such fractions will, when practicable, be aggregated and sold and the net proceeds of sale will then be distributed pro rata among such holders unless in respect of any holding of relevant New Convertible Preference Shares the amount to be so distributed would be less than HK\$100 (or its equivalent in another currency at a prevailing exchange rate selected by the Directors), in which case such amount will not be so distributed but will be retained for the benefit of the Company. Unless otherwise agreed between the Company and a Converting Shareholder, if more than one New Convertible Preference Share shall fall to be converted

pursuant to any one Conversion Notice, the number of Ordinary Shares to be issued upon conversion shall be calculated on the basis of the aggregate Reference Amount of the relevant New Convertible Preference Shares. For the purpose of implementing the provisions of this sub-paragraph, the Company may appoint some person to execute transfers, renunciations or other documents on behalf of persons entitled to any such fraction and generally may make all arrangements which appear to it to be necessary or appropriate for the settlement and disposal of fractional entitlements.

- (ii) In the event of a consolidation or re-classification of Ordinary Shares by operation of law or otherwise occurring after the Issue Date which reduces the number of Ordinary Shares outstanding, the Company will upon conversion pay in cash (in Hong Kong dollars by means of a Hong Kong dollar cheque drawn on a licensed bank in Hong Kong) a sum equal to such portion of the Reference Amount of the New Convertible Preference Share or New Convertible Preference Shares evidenced by the certificate deposited in connection with the exercise of Conversion Rights as corresponds to any fraction of a Ordinary Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK\$100.
- (g)
    - (i) Notwithstanding anything to the contrary herein, if the issue of Ordinary Shares following the exercise by a New Convertible Preference Shareholder of the Conversion Rights relating to any of the New Convertible Preference Shares held by such New Convertible Preference Shareholder would result in the Company not meeting the Public Float Requirement immediately after the conversion, then the number of Ordinary Shares to be issued pursuant to such conversion shall be reduced to the maximum number of Ordinary Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement and the balance of the Conversion Rights attached to the New Convertible Preference Shares which the New Convertible Preference Shareholder sought to convert shall be suspended until such time when the Company is able to issue additional Ordinary Shares in satisfaction of the exercise of the said balance of Conversion Rights and at the same time comply with the Public Float Requirement.
    - (ii) In the event that paragraph 6(g)(i) above shall affect the exercise of the Conversion Right of any New Convertible Preference Shareholder, the Company shall use reasonable

endeavours to procure that there will be a sufficient number of Shares in public hands for the purposes of the Listing Rules so that all New Convertible Preference Shares suspended from conversion may be converted to the fullest extent as soon as practicable without causing the Company to breach the Public Float Requirement.

- (h) Each Converting Shareholder shall comply with all applicable provisions of the Takeovers Code.

**(7) Conversion Price Adjustments**

- (a) The Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions:
  - (i) if and whenever the Ordinary Shares by reason of any consolidation or sub-division or reclassification become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division or reclassification becomes effective;
  - (ii) if and whenever the Company shall issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or contributed surplus account), then the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Ordinary Shares immediately before such issued and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Ordinary Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate, respectively) from the commencement of the day next following the Record Date for such issue.
- (b) If the Conversion Price is adjusted with effect (retroactively or otherwise) from a date on or before the date on which the names of the New Convertible Preference Shareholders whose New Convertible Preference Shares are converted into Ordinary Shares pursuant hereto or such other persons as they may direct are entered into the register of holders of Ordinary Shares of the Company and such New Convertible Preference Shareholders, entitlement were arrived at on the basis of unadjusted Conversion Price, the Company shall procure that such number of Ordinary Shares which would have been required to be issued on conversion of such New

Convertible Preference Shares if the relevant adjustment had been given effect to as at the date of conversion shall be allotted and issued to such New Convertible Preference Shareholders or such other persons as they may direct.

- (c) Notwithstanding the provisions of paragraph 7(a) above, in any circumstances where the Directors shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the provisions, the Company may appoint an Independent Financial Adviser, to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the Independent Financial Adviser shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis and/or the adjustment shall take effect from such other date and/or time as shall be certified by the Independent Financial Adviser to be in its opinion appropriate.
- (d) Any adjustment to the Conversion Price shall be made to the nearest cent so that any amount under half a cent shall be rounded down and an amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Ordinary Shares into shares of a larger nominal amount or upon a repurchase of Ordinary Shares) involve an increase in the Conversion Price.
- (e) No adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions would be less than one cent.
- (f) Where the result of any act or transaction of the Company, having regard to the provisions of paragraph 7, would be to reduce the Conversion Price to below the nominal amount of an Ordinary Share, no adjustment to the Conversion Price shall be made pursuant to any of the relevant provisions of paragraph 7 unless (i) the Bye-Laws of the Company shall be in such form, or shall have been altered or added to in such manner, as may be necessary or appropriate to enable this paragraph 7(f) to be implemented, and (ii) implementation of such provisions is not prohibited by and is in compliance with the provisions of the Act.

- (g) Whenever the Conversion Price is adjusted, the Company shall give notice to the New Convertible Preference Shareholders that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof).

**(8) Redemption**

The New Convertible Preference Shares shall be non-redeemable by the Company or the holders thereof.

**(9) Registration**

- (a) The Company shall maintain and keep a full and complete register (“Register”) as required by applicable laws for purposes of determining the New Convertible Preference Shares in issue and the New Convertible Preference Shareholders and recording any transfer, purchase, conversion and/or cancellation of the New Convertible Preference Shares and the issue of any replacement certificate in respect of the New Convertible Preference Shares in substitution for any mutilated, defaced, lost, stolen or destroyed certificate in respect of any New Convertible Preference Shares and of sufficient identification details of all New Convertible Preference Shareholders from time to time holding the New Convertible Preference Shares.
- (b) As soon as practicable, and in any event not later than 5 Business Days after the Conversion Date, the Company will, register or procure that its agent to register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Ordinary Shares in the Register and will mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice.
- (c) New Convertible Preference Shares which are converted will be cancelled by removal of the holder’s name from the Register on the relevant Registration Date (as defined in paragraph 9(e) below).
- (d) If the Registration Date in relation to any New Convertible Preference Share shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions in this paragraph 9 and the relevant Registration Date falls on a date when the relevant adjustment has not yet been reflected in the then current Conversion Price, the Company will procure that the provisions of paragraph 9(b) above shall be applied *mutatis mutandis* to such number of Ordinary Shares as is equal to the excess of the number of Ordinary Shares which

would have been required to be issued on conversion of such New Convertible Preference Share if the relevant retroactive adjustment had been given effect as at the said Registration Date over the number of Ordinary Shares previously issued (or which the Company was previously bound to issue) pursuant to such conversion, and in such event and in respect of such number of Ordinary Shares references to the Conversion Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective (disregarding the fact that it becomes effective retroactively).

- (e) The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Ordinary Shares issuable upon conversion with effect from the date he is or they are registered as such in the Register (the “**Registration Date**”). Save as set out in this paragraph 9, a holder of Ordinary Shares issued on conversion of New Convertible Preference Shares shall not be entitled to any rights the Record Date for which precedes the relevant Registration Date.

#### (10) Undertakings

So long as any New Convertible Preference Share remains capable of being converted into Ordinary Shares:

- (i) the Company will use all reasonable endeavors (1) to maintain a listing for all the issued Ordinary Shares on the Hong Kong Stock Exchange (or the Alternative Stock Exchange, as the case may be) and (2) to obtain and maintain a listing for any Ordinary Shares issued upon conversion of the New Convertible Preference Shares on the Hong Kong Stock Exchange; and
- (ii) the Company shall pay all fees, capital and stamp duties payable in Hong Kong, if any, in respect of the issue of Ordinary Shares upon conversion of any New Convertible Preference Shares.

#### (11) Taxation

All payments by the Company to the holders of the New Convertible Preference Shares shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Hong Kong or other taxation authority unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, subject to the Company having sufficient profits available for distribution, the Company shall pay such additional amounts as may be necessary in order that the net amounts received by the New Convertible Preference Shareholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the

relevant New Convertible Preference Shares in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any New Convertible Preference Shareholder:

- (a) who is liable to such taxes, duties, assessment or governmental charges in respect of such New Convertible Preference Shares by reason of his or its having some connection with Hong Kong other than by virtue of his or its being a New Convertible Preference Shareholder; or
- (b) receiving such payment in Hong Kong and who would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other similar claim for exemption to the Hong Kong tax authority but fails to do so.

**(12) Payments**

- (a) Payment of all amounts in respect of the New Convertible Preference Shares under the terms and conditions thereof shall be made on the due dates into such bank account as the holder of the relevant Preference Shareholder may notify the Company by at least 5 Business Days' prior notice in writing from time to time. All payments made by the Company in respect of the New Convertible Preference Shares pursuant to the terms and conditions of these By-laws shall be made in Hong Kong dollars in immediately available funds.
- (b) If the due date for payment of any amount in respect of the New Convertible Preference Shares is not a Business Day, the New Convertible Preference Shareholder will be entitled to payment on the next following Business Day in the same manner together with interest accrued in respect of any such delay.
- (c) If at any time any payments (whether by way of distribution or on a return of capital or otherwise) which are required to be made pari passu as between the holders of the New Convertible Preference Shares and Other Pari Passu Shares shall not be made in full, in determining the amounts payable to the New Convertible Preference Shareholders such amounts shall be calculated in Hong Kong dollars (calculated based on the exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited for the purchase of Hong Kong dollars with HK dollars by telegraphic transfer at 5:00 p.m. on the day immediately preceding the date of the date of the relevant payment) on:
  - (i) in the case of any distribution, the date on which such distribution is declared;

- (ii) in the case of a return of a capital, the date on which such return or capital shall become due; and
  - (iii) in the case of any other payment, the date on which such payment shall become due.
- (d) All payments or distributions with respect to New Convertible Preference Shares held jointly by two or more persons shall be paid or made to whichever of such persons is named first in the Register and the making of any payment or distribution in accordance with this sub-paragraph shall discharge the liability of the Company in respect thereof.

**(13) Transfer**

The New Convertible Preference Shares (and each of them) may be transferred by the holder thereof without restriction, Provided That the holder thereof shall give prior written notice to the Company and (if applicable) the Hong Kong Stock Exchange where the transferee is a connected person of the Company (as defined in the Listing Rules). The Company shall facilitate any such transfer of the New Convertible Preference Shares.