

Dated the 3rd day of August 2004

**PROSTICKS INTERNATIONAL
HOLDINGS LIMITED**

and

JL STRATEGIC FUND

SUBSCRIPTION AGREEMENT

in respect of the issue of convertible bond
in the aggregate principal amount of

HK\$2,500,000.00

by

**PROSTICKS INTERNATIONAL
HOLDINGS LIMITED**

THIS AGREEMENT is made on the 3rd day of August 2004

BETWEEN:

- (1) **PROSTICKS INTERNATIONAL HOLDINGS LIMITED** principal place of business is situated at 15th Floor, Asia Financial Centre, 120 Des Voeux Road Central, Hong Kong (the "Company"); and
- (2) **JL STRATEGIC FUND** with particulars set out in Schedule 4 of this Agreement (the "Subscriber").

WHEREAS:

- (A) The Company is a limited liability company duly incorporated under the laws of Cayman Islands having an authorized share capital of HK\$80,000,000.00 divided into 8,000,000,000 Ordinary Shares of HK\$0.01 each, of which 651,700,000 shares are issued and listed in the Growth Enterprises Market Board of the Stock Exchange (the "Shares"); and
- (B) The Company has agreed to issue and the Subscriber have agreed to subscribe for the Bond upon and subject to the terms and conditions set out in this Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. **INTERPRETATION**

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

| | |
|---------------------------------|---|
| "Agreement" | means this subscription agreement; |
| "Business Day" | means a day (excluding Saturday) on which banks are open for business in Hong Kong and in Singapore; |
| "Bond" or "Convertible Bond" | means the convertible bond of an aggregate principal amount of HK\$2,500,000.00 to be issued by the Company and subscribed for by the Subscriber in accordance with this Agreement subject to the Conditions. |

- “Bondholder” means the person or persons, corporation or corporations who is or are for the time being the registered holder or holders of the Convertible Bond;
- “Certificates” means a certificate for the face value of HK\$2,500,000.00 to be issued in respect of the Bond substantially in the form set out in Schedule 1;
- “Completion” means the completion of the issue and subscription for the Bond in accordance with Clause 4 and Schedule 3;
- “Conditions” means the terms and conditions to be attached to the Certificate (with such amendments thereto as the Parties may agree) as more particularly contained in Schedule 2 hereto; and “Condition” refers to the relative numbered paragraph of the Conditions;
- “Conditions Precedent” means the conditions precedent set out in Clause 3.1;
- “Conversion Rights” means the rights attached to the Bond to convert its principal amount or a part thereof into Ordinary Shares;
- “Conversion Shares” means the Ordinary Shares to be issued by the Company under the Bond which shall be ranked pari passu with the other existing shares of the Company and shall be entitled to all dividends and rights appertaining thereto (whether upon exercise by the Bondholder of the Conversion Rights, or otherwise pursuant to the Conditions);
- “GEM” means the Growth Enterprise Market Board of the Stock Exchange;
- “Group” means the Company and its Subsidiaries;
- “Listing Rules” Means the Rules governing the Listing of Securities on GEM as amended or varied from time to time;
- “HK\$”, “cents” means Hong Kong dollars and cents respectively;
- “Ordinary Shares” means the ordinary shares of HK\$0.01 each in the ordinary share capital of the Company;
- “Parties” means the parties to this Agreement and “Party” shall mean any one of them;

- “Stock Exchange” means The Stock Exchange of Hong Kong Limited;
- “Subscriber’s Solicitors” means Johnson Stokes & Master, and
- “Subsidiary” has the meaning ascribed to it in section 2 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and any entity which is accounted for and consolidated in the audited consolidated accounts of the Company pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards.

- 1.2 The expressions “Company” and “Subscriber” shall, where the context permits, include their respective successors and permitted assigns and any persons deriving title under them.
- 1.3 Any reference in this Agreement to a “person” includes any individual, company, body corporate or unincorporated or other juridical person, partnership, firm, joint venture or trust or any federation, state or subdivision thereof or any government or agency thereof.
- 1.4 Any reference in this Agreement to a “Clause” or “Schedule” shall be construed as a reference to a clause of or a schedule to this Agreement.
- 1.5 Words importing the singular number shall include the plural and vice versa and words importing a gender shall include every gender.
- 1.6 Headings of Clauses are for reference only and shall be ignored in construing this Agreement.

2. ISSUE OF AND SUBSCRIPTION FOR THE BOND

Subject to fulfillment of the Conditions Precedent and on Completion, the Company shall issue the Bond at their face value to the Subscriber for such amount as set against each of their names in column III of Schedule 4.

3. CONDITIONS PRECEDENT

- 3.1 The obligation of the Parties to effect Completion shall be conditional upon:
- (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares to be issued pursuant to the

exercise of the Conversion Rights; and

- (b) all other waivers or approvals (if any) which are required or appropriate for the issue of the Bond under this Agreement and of the Shares thereunder from any authorities or third parties being obtained.

- 3.2 If the Conditions Precedent are not fulfilled on or before 30th September 2004 (or such later date as may be agreed between the Subscriber and the Company), this Agreement will lapse and become null and void and the Parties will be released from all obligations hereunder, save for any liability arising out of any antecedent breaches hereof.

4. COMPLETION

Subject to fulfillment of the Conditions Precedent in accordance with Clause 3, Completion shall take place at 15th Floor, Asia Financial Centre, 120 Des Voeux Road Central, Hong Kong within seven Business Days after the Subscriber is notified in writing by the Company that all the Conditions Precedent have been fulfilled (or such other date as the Company and the Subscriber shall agree) and each Party shall perform all (and not part only) of its respective obligations as set out in Schedule 3.

5. CONTINUING OBLIGATION

- 5.1 The obligation of the Company after the Completion shall include the followings:
- (a) The Company agrees to maintain its Group's outstanding amount of bank loans/term loans and indebtedness including the indebtedness under this Convertible Bond and the convertible bond issued by the Company as stated in its announcement dated 25th February 2003 but excluding normal trade payable of the Group, will not be higher than HK\$10 million at any time during the life of the Bond;
 - (b) The Parties agree that the limit of HK\$10 million outstanding bank loans/term loans/indebtedness may be adjusted upward as mutually agreed from time to time; and
 - (c) The Company agrees not to issue new convertible bond in the next 6 months after the issue date of the Bonds issued to JL Strategic Fund and Swordfish Fund Limited.

6. FURTHER ASSURANCE AND UNDERTAKINGS

6.1 Each of the Parties agrees to do and execute or procure to be done and executed all such further acts, deeds, documents and things as may be reasonable and appropriate for such Party to do or execute or procure to be done or executed in order to give full effect to the terms of this Agreement.

6.2 The Company represents and warrants to the Subscriber on the date hereof and on Completion as follows.

(a) Incorporation

Each of the Company and the Subsidiaries is a company duly incorporated and validly existing under the laws of the country of its incorporation and has the corporate power and authority to own its properties and conduct its business and is lawfully qualified to do business in those jurisdictions in which business is conducted by it.

(b) Validity of Contracts

This Agreement has been duly authorised, executed and delivered by the Company and constitutes valid and legally binding obligations of the Company.

(c) Validity of Bond

The Bond have been duly authorised by the Company and, when duly issued and delivered will constitute valid and legally binding obligations of the Company.

(d) Authorisation

The new Shares that may be issued under the Bond have been duly authorised by the Company and, when issued in the manner contemplated by the Bond, will be duly and validly issued and fully-paid, will rank pari passu with all other Shares then in issue, and will not be subject to any pre-emption or similar rights.

(e) Shares

The Company has available out of its authorised but unissued Shares and free from any pre-emption rights such number of Shares as would be required to be issued on conversion of all the Bond at the initial conversion price.

(f) Compliance

The execution, delivery and performance of this Agreement, the issue of the Bond and the new Shares, the carrying out of the transactions contemplated by this Agreement and compliance with the terms hereof and thereof do not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Memorandum of Association and Articles of Association of the Company, or any indenture, trust deed, mortgage, guarantee, loan or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which either of them or any of their respective assets are bound, or infringe any existing applicable law, rule, regulation, judgment, order, authorisation or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over the Company or any such Subsidiary or any of their respective properties or assets or infringe the rules of any stock exchange on which securities of the Company or any such Subsidiary are listed.

(g) Financial Statements

- (i) The consolidated financial statements to the Company and its Subsidiaries taken as a whole were prepared in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, Hong Kong consistently applied and present fairly the financial position of the Company and of the Group as at the dates, and the results of operations and changes in financial position of the Company and of the Group for the periods, in respect of which they have been prepared; and
- (ii) since the date of the last audited consolidated financial statements of the Group there has been no change (nor any development or event involving a prospective change of which the Company is, or might reasonably be expected to be, aware) which is materially adverse to the condition (financial or other), prospects, results of operations or general affairs of the Company or of the Group respectively.

(h) Litigation

There are no current actions, suits or proceedings against or affecting the Company, or its Subsidiaries or any of their respective properties or assets, which if determined adversely to the Company or any such Subsidiary would individually or in the aggregate have a material adverse effect on the condition (financial or other), prospects, results of

operations or general affairs of the Company or the Group, or on the ability of the Company to perform its obligations under this Agreement or the Bond, and, to the best of the Company's knowledge, no such actions, suits or proceedings are pending or threatened.

(i) Event of Default

No event has occurred or circumstance arisen which, had the Bond already been issued, would constitute an event described under "Events of Default" in the Bond.

6.3 The Company agrees with the Subscriber as follows.

(a) Representations and Warranties

The Company will notify the Subscriber promptly upon becoming aware of the any event or development making untrue, or any change affecting, any of its representations or warranties herein at any time prior to payment being made to the Company on Completion and take such steps as may be reasonably requested by the Subscriber to remedy and/or publicise the same.

(b) Listing of Shares

The Company will use all reasonable endeavours to maintain or cause the maintenance of the listing of the Shares on the Hong Kong Stock Exchange.

7. TERMINATION

Notwithstanding anything herein contained, any of the Subscriber may, by notice in writing to the Company, terminate this Agreement at any time before Completion when payment would otherwise be due under Clause 4 above in any of the following circumstances:-

- (a) if there shall have come to the notice of any of the Subscriber any material breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in Clause 6.2 or any material failure to perform any of the Company's covenants or agreements in this Agreement;
- (b) if, in the reasonable opinion of any of the Subscriber, there shall have been such a change in the national or international financial, political or economic conditions or currency exchange rates or exchange controls as

would in its view be likely to prejudice materially any dealings in the Bond.

Upon such notice being given pursuant to above, this Agreement shall terminate and be of no further effect and no Party shall be under any liability to any other in respect of this Agreement except that (i) any cause of action accrued or any liability arising before or in relation to such termination shall continue (ii) the obligations under Clause 9 shall continue.

8. SUCCESSORS AND ASSIGN

This Agreement shall be binding on and for benefit of each Party's successors and shall not be assignable without the written consent of the other Party.

9. COSTS AND EXPENSES

Each of the Parties shall bear its own costs and expenses incurred in connection with the preparation and negotiation of this Agreement.

10. NOTICES

Each notice, demand or other communication to be given or made under this Agreement shall be in writing and delivered or sent to the relevant Party at its respective address or facsimile number set out below (or such other address or facsimile number as the addressee has by five (5) days' prior written notice specified to the other Parties):

To the Company

Address : 15th Floor, Asia Financial Centre,
120 Des Voeux Road Central, Hong Kong
Fax No. : (852) 2866 8650
Attention : Mr. Li Ching Ping Vincent

To the Subscriber

Address : 100, Beach Road #16-01,
Shaw Tower
Singapore 189702
Fax No. : (65) 62948880
Attention : Mr. James Loh

Any notice, demand or other communication so addressed to the relevant Party

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shall be deemed to have been delivered: (a) if given or made by letter, when actually delivered to the relevant address; and (b) if given or made by facsimile, when dispatched with confirmation of successful transmission.

11. ANNOUNCEMENTS

Subject to the requirements of the Stock Exchange, other than the announcement to be made by the Company in relation to this Agreement and the proposed issue of the Bond, neither Party may make any press or other announcements relating to this Agreement and the Bond without the prior written consent with the other Party (such consent shall not be unreasonably withheld) as to the form and manner of such announcement.

12. COUNTERPARTS

This Agreement may be executed by the Parties in any number of counterparts and on separate counterparts, each of which when so executed shall be deemed an original but all of which shall constitute one and the same instrument and is binding on all Parties, once all persons expressed to be Parties have executed this Agreement.

13. MISCELLANEOUS

- 13.1 Time shall be of the essence of this Agreement.
- 13.2 This Agreement constitutes the entire agreement between the Parties with respect to its subject matter (neither Party having relied on any representation or warranty made by the other Party which is not contained in this Agreement) and no variation of this Agreement shall be effective unless made in writing and signed by all of the Parties.
- 13.3 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect, the legality, validity or enforceability of the remaining provisions shall not be affected or impaired thereby.

14. GOVERNING LAW AND JURISDICTION

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

Schedule I

FORM OF THE CERTIFICATE OF THE BOND

ProSticks International Holdings Limited
(Incorporated in Cayman Islands with limited liability)

HKS2,500,000 CONVERTIBLE BOND DUE 2006

(Convertible Bond due _____ of principal amount of HK\$2,500,000 issued pursuant to the constitutional documents of ProSticks International Holdings Limited (the "Issuer") and a resolution of its Board of Directors passed on _____ in registered form forming part of the series as specified in the above title of the Issuer.)

THIS IS TO CERTIFY that for value received, the Company promises to pay to _____ of _____, being the registered holder (the "Bondholder") of this Bond, on the Maturity Date (or on such earlier date as such sum may become payable in accordance with the terms and conditions as attached (the "Conditions") the principal sum stated above together with any additional amounts as may be payable under the Conditions, in accordance with the Conditions. This Bond is issued with the benefit of and subject to the Conditions which are binding on the Issuer and the Bondholder.

GIVEN under the Seal of the Issuer this _____

Director

Director

BOND:-

The Bond cannot be transferred to bearer on delivery and is only transferable to the extent permitted by Condition 2 as set out in the Conditions. This Bond must be delivered to the Secretary of the Issuer for cancellation and reissue of an appropriate certificate in the event of any such transfer,

(For endorsement in the event of partial conversion, transfer or redemption)

| <u>Date</u> | <u>Amount Converted</u> | <u>Amount Transferred</u> | <u>Amount Redeemed</u> | <u>Amount Outstanding</u> |
|-------------|-------------------------|---------------------------|------------------------|---------------------------|
| | | | | |

Schedule 2

Terms and Conditions of the Convertible Bond

The Bond shall be held subject to and with the benefit of the terms and conditions set out below and such terms and conditions shall be binding on the Issuer. In this Bond, the words and expressions set out below shall have the meanings attributed to them below unless the context otherwise required:-

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| "Bond" or "Convertible Bond" | the convertible bond in the principal amount of HK\$2,500,000 to be issued by Issuer with the benefit and subject to the provisions of the Conditions and "Bond" shall be construed accordingly; |
| "Bondholder" | the person or persons, corporation or corporations who is or are for the time being the holder or a Bond; |
| "Business Day" | a day (excluding Saturday) on which banks in Hong Kong and in Singapore open for business; |
| "Certificate" | the certificate to be issued in respect of the Bond; |
| "Conditions" | the terms and Conditions to be attached to the Certificate and "Condition" refers to the relative numbered paragraph of the Conditions; |
| "Conversion Date" | the date on which the Conversion Rights are exercised in accordance with the Conditions; |
| "Conversion Price" | bears the meaning ascribed thereto in the Condition 5; |
| "Conversion Rights" | the rights attached to the Bond to convert the principal amount or a part thereof into Ordinary Shares; |
| "Conversion Shares" | the Ordinary Shares to be issued by the Issuer under the Bond which shall be ranked pari passu with the existing shares of the Issuer and shall be entitled to all dividends and rights appertaining thereto (whether upon exercise by a Bondholder of the Conversion Rights, or otherwise pursuant to the Conditions); |
| "GEM Board" or "GEM" | The Growth Enterprise Market Board of the Stock Exchange; |
| "Group" | means the Issuer and its Subsidiaries; |

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|-------------------------------|---|
| "Issuer" | ProSticks International Holdings Limited (duly registered under Part XI of the Companies Ordinance, Chapter 32 Laws of Hong Kong); |
| "Listing Rules" | the Rules Governing the Listing of Securities on the GEM Board of Stock Exchange; |
| "Maturity Date" | bears the meaning ascribed thereto in the Condition 1; |
| "Major Subsidiary" | means any Subsidiary of the Company except for three dormant companies namely ProSticks Multi-text Limited, Daily Vantage Investment Limited and Global Media Services Limited; |
| "Ordinary Shares" or "Shares" | ordinary shares of HK\$0.01 each in the share capital of the Issuer; |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited; |
| "Subsidiary" | has the meaning ascribed to it in section 2 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and any entity which is accounted for and consolidated in the audited consolidated accounts of the Company pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards; and |
| "HK\$" and "cents" | Hong Kong dollars and cents respectively. |

The expressions "Issuer", "Bondholder" and "Bondholders" shall where the context permits include their respective successors and permitted assigns and any persons deriving title under them.

In these Conditions, unless the context requires otherwise, references to statutory provisions shall be construed as references to those provisions as replaced, amended, modified or re-enacted from time to time; words importing the singular include the plural and vice versa and words importing gender or the neuter include both genders and the neuter; references to this Agreement or any issue document shall be construed as references to such document as the same may be amended or supplemented from time to time, unless otherwise stated, references to "Clauses" and the "Schedule" are to clauses of and the schedule to the Agreement issuing this Bond. Clause headings are inserted for reference only and shall be ignored in construing this Agreement.

1. **Period**

Subject as provided herein, the Issuer shall repay on the second anniversary date from the date of issue of the Bond ("Maturity Date") such principal amount outstanding under the Bond to the Bondholder(s) together with all outstanding interest accrued thereon at the rate referred to in Condition 3(a) up to and including the Maturity Date.

2. **Status and Transfer**

- (a) The obligations of the Issuer arising under the Bond constitute general, and unconditional unsecured obligations of the Issuer and rank, and will rank pari passu among themselves and with all other present and future unsecured and un-subordinated obligations of the Issuer except for obligations accorded preference by mandatory provisions of applicable law. No application will be made for a listing of the Bond in any jurisdiction.
- (b) Subject to full compliance with (i) relevant provisions of the Listing Rules (ii) the approval for listing in respect of the Conversion Shares and (iii) all applicable laws and regulations and the prior written consent of the Issuer which shall not be unreasonably withheld, the Bond may be assigned or transferred to any party or parties if, and only if, the assignment or transfer is in accordance with the provisions of this Condition 2.
- (c) Any assignment or transfer of the Bond can be in respect of the whole or any part of the outstanding principal amount of the Bond PROVIDED THAT any such assignment or transfer shall be for the sum of HK\$500,000.00 or integral multiples thereof. Title to the Bond passes only upon the cancellation of the existing certificate and the issue of new certificate in accordance with Condition 2(d)(ii). The Bondholder(s) shall (except as otherwise required by law) be treated as the absolute owner of the Bond for all purposes and no person will be liable for so treating the Bondholder.
- (d) In relation to any assignment or transfer of the Bond permitted under or otherwise pursuant to this Condition 2:-
- (i) it can only be transferred by execution of a form of transfer (the "Transfer Form") in the form annexed under the hand of the transferor and the transferee (or their duly authorised representatives) or, where either the transferor or transferee is a corporation, under its common seal (if any) and under the hand of one of its officers duly authorised in writing or otherwise executed by a duly authorised officer thereof. In this Condition, "transferor" shall, where the context otherwise permits or requires, include joint transferors and shall be construed accordingly; and
- (ii) the Bond must be delivered for cancellation to the Issuer accompanied by (i) a duly executed Transfer Form; (ii) in the case of the execution of the Transfer Form on behalf of a corporation by its officers, the authority of that person or those person to do so; (iii) such other evidence as the Issuer may reasonably require if the Transfer Form is executed by some other person on behalf of the Bondholder(s) of the authority of that other person; and (iv) such other evidence (including legal opinions) as the Issuer may reasonably require to support that the conditions and requirements of this Condition 2 are satisfied. The Issuer shall, within 14 Business Days of receipt of such documents from the Bondholder(s), cancel the existing Bond and issue a new Bond under the seal of the Issuer, in favour of the transferee or assignee as applicable.
- (e) The Issuer shall maintain and keep a full and complete register at such location as it

shall from time to time determine, the conversion, cancellation and destruction or all replacement Bond issued in substitution for any mutilated, defaced, lost, stolen or destroyed Bond and of sufficient identification details of all Bondholder(s) from time to time holding the Bond. The Issuer shall further procure that such register shall be made available for inspection to any holder of the Bond at all reasonable times

- (f) Any reasonable legal and other costs and expenses which may be incurred by the Issuer in connection with any transfer or assignment of the Bond on any request therefor shall be borne by the Bondholder.

3. Interest

- (a) Subject to Conditions 3(b) and 3(c), the Bond will bear interest from the date of issue at Hong Kong Prime rate - 0.5 per annum of the principal amount of the Bond outstanding, which subject as provided herein, will be payable by the Issuer half yearly in arrears. The first payment shall be made on the date falling SIX calendar months after the date of issue of the Bond.
- (b) On the Maturity Date or such earlier date of repayment as notified by the Bondholder(s) under Condition 10, the Issuer shall pay interest on the outstanding principal amount of the Bond for the period from the immediately preceding interest payment date to the Maturity Date or the earlier date of repayment (as the case may be).
- (c) In the event that any Bondholder(s) converted part or whole of the principal amount of the Bond held by it or that the Issuer redeemed part or whole of the principal amount (as the case may be), the Bondholder(s) shall be entitled to interest in respect of such part or whole, as the case may be, of the principal amount for the period from the immediately preceding interest payment date up to and excluding the Conversion Date concerned.
- (d) Whenever it is necessary to compute an amount of interest in respect of the Bond for a period of less than a full half-year, such interest will be calculated on the basis of a 365-day year and, in the case of incomplete month, the number of days elapsed.

4. Payments

- (a) To the extent not previously redeemed, purchased, cancelled or converted as herein provided, repayment of the principal amount in respect of the Bond will be made on the Maturity Date by way of crossed cheque to be delivered to the Bondholder(s) at the address as set out in Condition 14. Payments of interest in respect of the Bond will be made in accordance with Condition 3 by way of crossed cheque to be delivered to the Bondholder(s) at its address as set out in Condition 14.
- (b) If the due date for payment or repayment of any amount in respect of the Bond is not a Business Day, the Bondholder(s) will be entitled to payment on the next following Business Day in the same manner and will not be entitled to further interest or other payment in respect of any such delay.

5. Conversion

- (a) Subject as hereinafter provided, unless otherwise approved by the board of directors of the Issuer upon written request from the Bondholder, the Bondholder has the right to convert all or part of the Bond into Conversion Shares. The initial conversion price shall be HK\$0.05 per Share ("Conversion Price"), subject to adjustment in the event of share consolidation, sub-division, etc (if any) pursuant to Condition 7(a) before the Maturity Date.
- (b) Conversion Rights may only be exercised in respect of 10,000,000 Conversion Shares or integral multiples thereof or if the remaining outstanding amount is less than HK\$500,000, in the entire outstanding amount. Fractions of Ordinary Shares will not be issued on conversion and no cash adjustment will be made in respect thereof.
- (c) In the event of any consolidation or sub-division of Shares referred to in Condition 7(a)(i), the number of Conversion Shares shall ipso facts, at the time the relevant consolidation or sub-division or reclassification takes place, be adjusted to such number as shall be certified by an approved accountant (as defined in Condition 7(b)) appointed by the Issuer to be in its opinion appropriate.
- (d) The Conversion Rights shall be exercisable by any Bondholder(s) on any Business Day prior to the Maturity Date of the Bond (to the extent that the relevant Bond have not been redeemed) subject to any applicable fiscal or other laws or regulations, by completing and serving from time to time on the Issuer a notice (a "Conversion Notice") in writing in the form annexed to this Bond together with the Certificate of the relevant Bond to the principal place of business of the Issuer on any Business Day. A Conversion Notice once given may not be withdrawn without the consent in writing of the Issuer. If a Conversion Notice is not duly completed or is inaccurate, the Issuer may (but is not obliged to) reject the same and any intended conversion shall not be treated as taking effect until a duly completed, accurate conversion notice is received by the Issuer. The Issuer shall be responsible for the payment of all taxes and stamp, issue and registration duties (if any) and Stock Exchange levies and charges (if any) arising on conversion in Hong Kong or Cayman Islands.
- (e) The Issuer may, within three Business Day from the date on which it receives a Conversion Notice, by notice (the "Notice of Election") to the Bondholder(s) in the form annexed, elect not to issue shares to the Bondholder(s) pursuant to that Conversion Notice but instead to redeem the lower of (i) the amount specified in that Conversion Notice next to the words "amount to be converted", and (ii) the total principal amount outstanding on the Bond as at the date on which that Conversion Notice was received by the Issuer (the "Election Amount") within three Business Days after the date on which the Notice of Election is received by the Bondholder(s) and the Issuer shall pay to the Bondholder(s) the Election Amount and, for the avoidance of doubt, any accrued interest under Condition 3.

6. Redemption

- (a) The Issuer will be entitled to redeem all or any part (in an amount or integral multiple of

HK\$500,000) of the principal amount of the Bond, by giving not less than 30 days' written notice (such notice to expire on a date, on or before the Maturity Date) in the form annexed to the Bondholder(s) by payment to the Bondholder(s) the principal amount of the Bond which the Issuer intends to redeem from time to time after the date of issue of the Bond and, for the avoidance of doubt, any accrued interest under Condition 3.

- (b) In the case of a partial redemption of the Bond, the Bond to be redeemed shall be selected individually by ballot in such place and in such manner as the Issuer shall deem to be appropriate.
- (c) Once a notice of redemption is given in accordance with paragraph (a) above, the Issuer shall deliver to the relevant Bondholders at his address set out in Condition 14 a crossed cheque for the principal amount of the Bond to be redeemed together with all interest accrued thereon up to and excluding the date of redemption, against delivery by that Bondholder(s) to the Issuer of his Bond for cancellation, and in the case of a partial redemption of the Bond for endorsement of the partial redemption of the Bond not so redeemed.
- (d) The Issuer or any of its subsidiaries may at any time and from time to time purchase Bond at any price mutually agreed by both parties.
- (e) All Bond which are redeemed, converted or purchased by the Issuer or any of its subsidiaries will forthwith be cancelled.

7. Adjustments

- (a) Subject as hereinafter provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (i) to (vi) inclusive of this Condition 7(a) it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:-
 - (i) If and whenever the Shares by reason of any consolidation or sub-division or re-classification 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 date on which the consolidation or sub-division becomes effective.
 - (ii) If and whenever the Issuer shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued after such capitalisation. Each such adjustment shall be effective (if

appropriate retroactively) from the commencement of the day next following the record date for such issue.

- (iii) If and whenever the Issuer shall make any Capital Distribution (as defined in Condition 7(b)) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Issuer or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

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

where:

- A = the market price (as defined in Condition 7(b)) on the dealing date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding the date of the Capital Distribution or, as the case may be, of the grant; and
- B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved accountant (as defined in Condition 7(b)), of the portion of the Capital Distribution or such rights which is attributable to one Share,

Provided that:

- (1) if in the opinion of the relevant approved accountant (as defined in Condition 7(b)), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and
- (2) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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

- (iv) If and whenever the Issuer shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price (as defined in Condition 7(b)) at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the

announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price (as defined in Condition 7(b)) and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the day following the record date for the offer or grant) provided that the adjustment referred to in this sub-paragraph (iv) shall not apply if the offer on substantially the same terms is extended to the Bondholder(s).

- (v) (1) If and whenever the Issuer shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 90% of the market price (as defined in Condition 7(b)) the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Issuer determines the conversion or exchange rate or subscription price.
- (2) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (1) of this sub-paragraph (v) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 90% of the market price (as defined in Condition 7(b)) at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price

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

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

(vi) If and whenever the Issuer shall issue wholly for cash any Shares at a price per Share which is less than 90 % of the market price (as defined in Condition 7(b)) at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

(b) For the purposes of this Condition 7:

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

"approved accountant" means a public accountant of repute in Hong Kong be jointly selected by the Issuer and the Bondholder(s);

"Capital Distribution" shall (without prejudice to the generality of that phrase) include

distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall automatically be deemed not a Capital Distribution if it is paid out of the aggregate of the net profits (less any consolidated net losses) attributable to the holders of Shares for all financial periods after 31st December, 2002 as shown in the audited consolidated profit and loss account of the Issuer and its subsidiaries for each financial period ended 31st December, 2002;

“issue” shall include allot;

“market price” means the average of the closing prices of one Share on the GEM Board of the Stock Exchange as quoted in the official sheet of the GEM Board of the Stock Exchange (or the equivalent) for each of the last five Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained provided that if at any time during the said five dealing days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then

- (i) if the Shares to be issued or purchased do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; and
- (ii) if the Shares to be issued or purchased rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount of that dividend per Share;

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

“reserves” includes un-appropriated profits;

“rights” includes rights in whatsoever form issued; and

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

- (c) The provisions of sub-paragraphs (ii), (iii), (iv), (v) and (vi) of Condition 7(a) shall not apply to:-
 - (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including

- any conversion of the Bond) to acquire Shares provided that an adjustment has been made under this Condition 7 in respect of the issue of such securities or granting of such rights or any modification of such rights (as the case may be);
- (ii) an issue of Shares or other securities of the Issuer or any subsidiary of the Issuer wholly or partly convertible into, or rights to acquire, Shares to officers or employees of the Issuer or any of its subsidiaries pursuant to any employee or executive share scheme which share scheme shall be in compliance with the Listing Rules;
 - (iii) an issue by the Issuer of Shares or by the Issuer or any subsidiary of the Issuer of securities wholly or partly convertible into or rights to acquire Shares in any such case in consideration or part consideration for the acquisition of any other securities, assets or business provided that an adjustment has been made (if appropriate) under this Condition 7 in respect of the issue of such securities or granting of such rights or any modification of such rights (as the case may be);
 - (iv) an issue of fully-paid Shares by way of capitalisation of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into or rights to acquire Shares provided that an adjustment has been made (if appropriate) under this Condition 7 in respect of the issue of such securities or the granting of such rights, or any modification of such rights (as the case may be); or
 - (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110% of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the "market value" of a Share shall mean the average of the closing prices as quoted in the official sheet of the GEM Board of the Stock Exchange (or the equivalent) for such Stock Exchange dealing days on which dealings in the Shares took place (being not less than five such days) as are selected by the directors of the Issuer in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash.
- (d) Any adjustment to the Conversion Price shall be made to the nearest hundredth of one cent so that any amount under half of the hundredth of a cent shall be rounded down and any amount of half of the hundredth of a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Conversion Price.
- (e) Notwithstanding anything contained herein, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this Condition would be less than the

hundredth of one cent and any adjustment that would otherwise be required then to be made shall not be carried forward.

- (f) If the Issuer or any subsidiary of the Issuer shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Issuer shall appoint an approved accountant to consider whether any adjustment to the Conversion Price is appropriate (and if such approved accountant shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly and the provisions of Conditions 7(d), 7(e) and 7(h) shall apply).
- (g) Whenever the Conversion Price is adjusted as herein provided the Issuer shall give notice to the Bondholder(s) 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) and shall at all times thereafter so long as the Bond remains outstanding make available for inspection at its principal place of business in Hong Kong a signed copy of the said certificate of the approved accountant and a certificate signed by the director of the Issuer setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof and shall, on request, send a copy thereof to the Bondholder(s).
- (h) If application of any of the provisions of this Condition 7 would but for this paragraph (h) result in the Conversion Price being reduced so that on conversion Shares shall fall to be issued at a discount to their nominal value, then the Conversion Price shall be adjusted to an amount equal to the nominal value of one Share.
- (i) The costs of the approved accountant in the performance of any of the functions envisaged under this Condition 7 shall be borne by the Issuer solely.

8. Protection of the Bondholder(s)

So long as the Bond are outstanding, and subject to any approvals otherwise given in writing by the Bondholder(s):

- (a) the Issuer shall keep available for issue, free from pre-emptive rights, out of its authorised but un-issued capital sufficient Ordinary Shares to satisfy in full the Conversion Rights at the Conversion Price from time to time and all other rights for the time being outstanding of subscription for and conversion into Conversion Shares;
- (b) the Issuer shall not in any way modify the rights attached to the Ordinary Shares as a class or attach any special restrictions thereto;
- (c) if an offer is made to holders of Ordinary Shares (or such holders other than the offeror or and/or any company controlled by the offeror or and/or persons acting in concert with the offeror) to acquire all or any proportion of the Ordinary shares, the Issuer shall forthwith give notice of such offer to the Bondholder(s) and use all its

reasonable endeavours to procure that a similar offer is extended in respect of the Bond or in respect of any Ordinary Shares issued on conversion of the Bond during the period of the offer or to be issued where the Conversion Date occur on or before the offer closes.

- (d) the Issuer shall use its best endeavours other than in circumstances where an offer made to holders of Ordinary Shares to acquire all or any proportion of the Ordinary Shares becomes unconditional (i) to maintain a listing for all the issued Ordinary Shares on the GEM Board of the Stock Exchange or on such other stock exchange (an "alternative stock exchange") as the Issuer may (with the approval of the Bondholders) from time to time determine and (ii) to obtain and maintain a listing on the GEM Board of the Stock Exchange (or an alternative stock exchange) for all the Ordinary Shares issued on the exercise of the Conversion Rights.
- (e) as soon as possible and in any event not later than 14 Business Days after the announcement of the terms of any issue referred to in Condition 7 (or if later, as soon as the relevant adjustment thereunder can reasonably be determined) give notice to the Bondholder(s) advising it of the date on which the relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising their Conversion Rights pending such date;
- (f) the Issuer shall comply with and procure the compliance of all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) or the alternative stock exchange as the case may be, for approval of the issue of the Bond or for the listing of and permission to deal in the Ordinary Shares issued or to be issued on the exercise of the Conversion Rights and to ensure the continued compliance thereof.
- (g) the Issuer shall ensure that all Ordinary Shares issued upon conversion of the Bond will be duly and validly issued, fully paid and registered.
- (h) the Issuer shall maintain its Group's outstanding amount of bank loans, term loans, and indebtedness including any convertible bond issued by the Issuer including this Bond but excluding normal trade payable will not be higher than HK\$10 million in aggregate at any time during the life of the Bond unless otherwise agreed to by all the Bondholders.

9. Issue of Ordinary Shares on Conversion

The Issuer undertakes to issue Ordinary Shares to the Bondholder(s) or as it may direct upon exercise of the Conversion Rights by the Bondholder(s). The Ordinary Shares arising on conversion shall be allotted and issued by the Issuer to the Bondholder(s) or as it may direct within fourteen Business Days after, and with effect from, the date on which the Conversion Notice is received by the Issuer and certificates for the Ordinary Shares to which the Bondholder(s) shall become entitled in consequence of exercising its Conversion Rights shall be issued in board lots (or in such manner as the Issuer may in its discretion think fit), together with an endorsement on the Certificate for the Bond

by a director of the Issuer for any balance of the principal amount of the Bond not converted.

10. **Events of Default**

Any Bondholder may give notice in the form annexed to the Issuer that the principal amount of the Bond held by it together with any accrued interest thereon calculated up to and including the date of repayment are immediately due and payable if any the following events occurs:-

- (a) the Issuer fails to pay the principal amount when due or the Issuer fails to pay interest on the Bond when due unless non-payment of such interest is due solely to administrative or technical error and payment is made within three Business Days of the due date thereof; or
- (b) the Issuer defaults in performance or observance or compliance with any of its other obligations set out herein which default is incapable of remedy or, if capable of remedy, is not remedied within 21 Days after notice of such default shall have been given to the Issuer by such Bondholder(s); or
- (c)
 - (i) any indebtedness for borrowed money of the Company or any of its Subsidiaries (excluding any intra-group borrowings) becomes payable prior to its stated maturity following a default by the Company or any of its Subsidiaries; or
 - (ii) the Company or any of its Subsidiaries defaults in the payment of any indebtedness for borrowed money (excluding any intra-group borrowings) at the maturity thereof or at the expiration of any originally applicable grace period therefor; or
 - (iii) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee or indemnity in respect of any indebtedness for borrowed money of any other person.
- (d) A distress or execution or other legal process is levied or enforced or sued out upon or against any part of the undertaking, assets or revenues of the Company or any of its Major Subsidiaries and is not discharged within 30 days of having been so levied, enforced or sued out.
- (e) An encumbrancer takes possession or an administrative or other receiver, manager or other similar officer is appointed of, or an attachment order is issued in respect of, the whole or any part of the undertaking, assets or revenues of the Company or any of its Major Subsidiaries and is not discharged within 30 days of having taken possession or been appointed or issued.
- (f) An order of a court of competent jurisdiction is made or an effective resolution passed for the winding up or dissolution or administration of the Company or any of its Major Subsidiaries or the Company or any of its Major Subsidiaries

ceases or threatens to cease to carry on all or substantially all of its business or the Company or any of its Major Subsidiaries stops or threatens to stop payment (within, if applicable, the meaning of the bankruptcy law of any appropriate jurisdiction) or applies for or consents to the appointment of an administrative or other receiver, manager, administrator or other similar officer over the whole or any material part of the undertaking, property, assets or revenues of the Company or any of its Major Subsidiaries; or

- (g) the Ordinary Shares (as a class) cease to be listed on the GEM Board of the Stock Exchange (as defined in Condition 8) or an alternative stock exchange (defined in Condition 8(d)) for a continuous period of 10 trading days due to the default of the Issuer (other than in circumstances where an offer envisaged in Condition 8(d) becomes unconditional).

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

11. Voting

The Bondholder(s) will not be entitled to receive notices of, attend or vote at any meeting of the Issuer by reason only of it being the Bondholder(s).

12. Experts

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

13. Replacement Bond

If the certificate for a Bond is lost or mutilated the Bondholder(s) shall forthwith notify the Issuer and a replacement certificate for the Bond shall be issued if the Bondholder(s) provides the Issuer with: (i) the mutilated certificate for the Bond; (ii) a declaration by the Bondholder(s) or its officer that the Bond had been lost or mutilated (as the case may be) or other evidence that the certificate for the Bond had been lost or mutilated; and (iii) an appropriate indemnity in such form and content as the Issuer may reasonably require. Any certificate for the Bond replaced in accordance with this Condition shall forthwith be cancelled.

14. Notices

- (a) Any notice, demand or other communication required or permitted to be given by or under these terms and conditions shall be in writing and shall be given by delivering or sending it to the relevant party at its address or facsimile number set out below (or such

other address or facsimile number in Hong Kong as the party concerned may have notified to the other parties pursuant to this Condition):-

To the Issuer:

Address : 15th Floor, Asia Financial Centre,
120 Des Voeux Road Central, Hong Kong
Facsimile No. : (852) 2866 8650
Attention : Mr. Li Ching Ping Vincent

To the Bondholder:

Address : JL Strategic Fund
c/o JL Capital Pte Ltd
100 Beach Road #16-01,
Shaw Tower,
Singapore 189702
Facsimile No. : (65) 6294 8880
Attention : Mr. James Loh

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

15. Amendment

The terms and conditions of this Agreement may be varied, expanded or amended only by agreement in writing between the Issuer and the Bondholder(s).

16. Governing law and jurisdiction

The Bond and the terms and conditions of the Bond are governed by and shall be construed in accordance with Hong Kong law and the Bondholder(s) and the Issuer agree to submit to the non-exclusive jurisdiction of the courts of Hong Kong.

EARLY REPAYMENT NOTICE

[To be attached to the Conditions]

The undersigned hereby irrevocably demands that ProSticks International Holdings Limited (the "Issuer") repays all the outstanding principal amount of the Bond on the repayment date specified below together with all interest thereon in accordance with the Conditions.

Date of Bond: _____

Repayment Date: _____
[date falling 30 days after the date of this notice]

Name of Bondholder: _____

Date:

Note:

- (1) The Bondholder must deliver the Bond to the Issuer for cancellation on the Maturity Date before payment is made.
- (2) This Form is only applicable in the event of defaults as provided in Condition 10 of the Conditions.

REDEMPTION NOTICE

[To be attached to the Conditions]

Name of Bondholder: _____

We, ProSticks International Holdings Limited, hereby notify you pursuant to Condition 6 that we shall redeem the principal amount of the Bond in the sum of HK\$ _____ on the redemption date specified below against your delivery of the Bond to us for cancellation on that day in accordance with the Conditions and the terms below.

Date of Bond: _____

Amount to be redeemed: _____

Redemption Dates: _____

[date falling 30 days after the date of this notice]

Principal amount of Bond outstanding as at the date of this notice: _____

For and on behalf of

ProSticks International Holdings Limited

CONVERSION NOTICE

[To be attached to the Conditions]

The undersigned hereby irrevocably elects to convert all/part of the Bond specified below into ordinary shares of HK\$_____ each, of ProSticks International Holdings Limited (the "Issuer") in accordance with the Conditions and the terms below.

Date of Bond: _____

Amount to be converted: _____

Conversion date: _____
[at least 14 days after the receipt of this notice by the Issuer unless otherwise Agreed]

Principal Amount of Convertible Bond to be converted: _____

Name in which Ordinary Shares to be issued: _____

Address of shareholders: _____

Signature of Bondholder: _____

Name of Bondholder: _____

NOTICE OF ELECTION

[to be attached to the Conditions]

To:

Dear Sirs,

We refer to your conversion notice dated _____

In accordance with Condition 5 (c) of the Bond dated _____ (the "Bond") held by you, we hereby elect to redeem the principal amount of HK\$ _____ and such redemption notice is attached herewith for your reference.

Yours faithfully,

For and on behalf of
ProSticks International Holdings Limited

FORM OF TRANSFER

[to be attached to the Conditions]

We, [name of transferor] of [address] (the "transferor") in consideration of the Sum of Hong Kong Dollars _____ (HK\$_____) paid to us by [name of transferee] of [address] (hereinafter called "the Transferee") do hereby transfer to the Transferee [the outstanding principal amount of HK\$_____] [{"Transferred Note"}] of the HK\$_____ convertible Bond issued by ProSticks International Holdings Limited to the Transferor dated _____ to hold unto the Transferee, his Executors, Administrators or Assigns, subject to the several conditions upon which we hold the same at the time of execution hereof. We, the Transferee, do hereby agree to take the Transferred Note subject to the same conditions.

Witness to our hands

Witness to the signature(s) of

Name: _____

Address: _____

(Transferor)

Name: _____

Address: _____

(Transferee)

Schedule 3

Completion Requirement

1. Obligations of the Company

At Completion, the Company shall deliver to the Subscriber or their nominees as each of the Subscriber may direct:

- (a) a certified copy of the board resolution of the Company approving and authorizing the execution and completion of this Agreement and the issue of the Bond and the Certificate;
- (b) the Certificate duly issued in favour of each Subscriber (or its nominee in respect of the principal amount of the Bond set against its name in column III of Schedule 4); and
- (c) certified copy(ies) of the documents, permission, waivers or approvals listed out in Clause 3.1(a) and (b) of the Agreement.
- (d) a confirmation from the Company that all representations and warranties contained in Clause 6.2 are accurate and correct in all material respect as if made on such date.

2. Obligations of the Subscriber

At Completion, each Subscriber shall deliver to the Company

- (a) a certified copy of the board resolution of the JL Strategic Fund approving and authorizing the execution and completion of this Agreement; and
- (b) Telegraph transfer in the sum of HK\$2,500,000 for the principal amount of the Bond in favour of the Company.

Schedule 4

| I Name | II Address | III Amount of Bond HK\$ |
|--|--|-------------------------------|
| JL Strategic Fund acting through JL Capital Pte Ltd of 100 Beach Road #16-01, Shaw Tower, Singapore 189702 ("JL Capital") as its fund manager | c/o M&C Corporate Services Limited P.O. Box 309GT Uglang House South Church Street Grand Cayman Cayman Islands | 2,500,000 |