

**DATE: 12 January 2010**

**WANG ON GROUP LIMITED**

**and**

**KINGSTON SECURITIES LIMITED**

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**UNDERWRITING AGREEMENT**

**relating to a rights issue of  
not less than 1,631,233,962 and not more than 1,660,480,104 Rights Shares in  
Wang On Group Limited  
at HK\$0.185 per Rights Share payable in full on application  
in the proportion of 3 Rights Shares for every 1 Consolidated Share held on the Record  
Date and Time  
(with Bonus Shares in the proportion of 2 Bonus Shares  
for every 3 Rights Shares taken up under the Rights Issue)**

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**THIS AGREEMENT is dated 12 January 2010**

**BETWEEN:**

- (1) **WANG ON GROUP LIMITED**, a company incorporated in the Bermuda and whose principal place of business in Hong Kong is situated at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong (the “**Company**”); and
- (2) **KINGSTON SECURITIES LIMITED**, a company incorporated in Hong Kong with limited liability and having its registered office at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong (the “**Underwriter**”).

**WHEREAS:**

- (A) The Company is incorporated in Bermuda and its issued Shares are listed on the Stock Exchange. As at the date hereof, the Company has an authorised share capital of HK\$200,000,000 divided into 20,000,000,000 Shares of which 2,718,723,270 Shares are issued and are fully paid or credited as fully-paid and 17,281,276,730 Shares remained unissued. As at the date hereof, the Company has 48,743,569 outstanding Options. Save for the Options, the Company has no other outstanding warrants, options or convertible securities.
- (B) The Company proposes to effect the Share Consolidation.
- (C) The Company has determined by resolution of its Board to offer, subject to the fulfillment or waiver of the Conditions Precedent, a total of not less than 1,631,233,962 Rights Shares and not more than 1,660,480,104 Rights Shares together with the Bonus Shares for subscription by the Qualifying Shareholders by way of the Rights Issue, on the basis of 3 Rights Shares for every 1 Consolidated Share held at the Record Date and Time, at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in this Agreement and the Prospectus Documents. Subject to the terms and upon the conditions as set out in this Agreement, the Bonus Shares will be issued (for no additional payment) to the first registered holders of Rights Shares on the basis of 2 Bonus Shares for every 3 Rights Shares taken up by the Qualifying Shareholders under the Rights Issue.
- (D) On the terms and subject to the conditions hereinafter appearing, Mr. Tang is directly and indirectly through his associates, namely Ms. Yau Yuk Yin, Accord Power Limited and Caister Limited, interested in an aggregate of 574,691,264 Shares as of the date of this agreement. Mr. Tang has given an irrevocable undertaking (the “**Irrevocable Undertaking**”) in favour of the Company and the Underwriter that (1) he will subscribe for or procure subscriptions by his associates for the 344,814,756 Rights Shares (with Bonus Shares) to which he and his respective associates will be entitled to pursuant to the terms of the Rights Issue; (2) the Shares or the Consolidated Shares (as the case may be) comprising his and his associates’ current shareholding will remain registered in the names of them or their respective associates at the close

of business at the Record Date and Time as they are on the date of the Irrevocable Undertaking; (3) he will procure that the applications in respect of the 344,814,756 Rights Shares (with Bonus Shares) comprising his and his associates' entitlements under the Rights Issue will be lodged with the Registrar, with payment in full therefor in cash, by no later than the Latest Time for Acceptance and otherwise in accordance with the instructions printed on the PAL(s); and (4) he will apply for or procure applications by his associates, by way of excess application, for an additional 580,000,000 Rights Shares (with Bonus Shares) that are not taken up by the Qualifying Shareholders under the Rights Issue.

- (E) Subject to and upon the terms and conditions hereinafter appearing, the Underwriter has agreed to fully underwrite the Remaining Untaken Shares.

**NOW IT IS HEREBY AGREED as follows:**

**1. DEFINITIONS**

- 1.1 In this Agreement (including the Recitals hereto), unless the context otherwise requires, the following expressions have the following meanings:

<b>“Announcement”</b>	the announcement to be made by the Company concerning, among other things, the Share Consolidation and the Rights Issue substantially in the form of the draft announcement annexed hereto (subject to such amendments as the Company and the Underwriter may agree)
<b>“associate(s)”</b>	has the meaning ascribed thereto in the Listing Rules
<b>“Audited Accounts Date”</b>	31 March 2009
<b>“Board”</b>	the board of Directors
<b>“Bonus Shares”</b>	the bonus Consolidated Shares to be issued (for no additional payment) to the first registered holders of Rights Shares on the basis of 2 bonus Consolidated Shares for every 3 Rights Shares taken up under the Rights Issue subject to the terms and upon the conditions as set out in this Agreement and the Prospectus Documents
<b>“business day”</b>	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
<b>“Bye-Laws”</b>	means the bye-laws of the Company

<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
<b>“Circular”</b>	the Rights Issue circular in the agreed form expected to be dated the Circular Posting Date
<b>“Circular Posting Date”</b>	1 February 2010 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Circular
<b>“Companies Act”</b>	the Companies Act 1981 of Bermuda (as amended)
<b>“Companies Ordinance”</b>	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
<b>“Complying Applications”</b>	valid applications under the PAL(s) made in accordance with the terms of the Prospectus Documents together with cheques or cashier’s orders or other remittances for the full amount payable in respect of the Rights Shares (with Bonus Shares) being applied for under such PAL(s) which are honoured on first or, at the discretion of the Underwriter, subsequent presentation
<b>“Conditions Precedent”</b>	the conditions set out in Clause 2.1
<b>“Consolidated Shares”</b>	means ordinary shares of HK\$0.05 each in the share capital of the Company immediately upon the Share Consolidation becoming effective
<b>“Directors”</b>	directors of the Company for the time being
<b>“EAF(s)”</b>	application form(s) for the Untaken Shares
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Latest Lodging Time”</b>	4:30 p.m. on 10 February 2010 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of the Shares in order to qualify for the Rights Issue
<b>“Latest Time for Acceptance”</b>	4:00 p.m. on 5 March 2010 or such later time or

date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares (with Bonus Shares) as described in the Prospectus Documents

<b>“Latest Time for Termination”</b>	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate this Agreement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Mr. Tang”</b>	Mr. Tang Ching Ho, the executive Director and chairman of the Company
<b>“Options”</b>	the options issued or to be issued under the Share Option Schemes
<b>“Overseas Shareholders”</b>	Shareholders with registered addresses (as shown in the register of members of the Company at the Record Date and Time) which are outside Hong Kong
<b>“PAL(s)”</b>	provisional allotment letter(s) for the Rights Issue
<b>“Prohibited Shareholders”</b>	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Rights Shares based on the enquiry made pursuant to Clause 4.5
<b>“Prospectus”</b>	the Rights Issue prospectus in the agreed form expected to be dated the Prospectus Posting Date
<b>“Prospectus Documents”</b>	the Prospectus, PAL(s) and EAF(s)
<b>“Prospectus Posting Date”</b>	19 February 2010 or such later date as may be agreed between the Underwriter and the Company for the dispatch of the Prospectus Documents
<b>“Qualifying Shareholders”</b>	Shareholders whose names appear on the register of members of the Company at the Record Date and Time, other than the Prohibited Shareholders
<b>“Record Date and Time”</b>	5:30 p.m. on 18 February 2010 or such other

date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Rights Issue

<b>“Registrar”</b>	Tricor Tengis Limited of 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
<b>“Remaining Untaken Shares”</b>	those (if any) of the Untaken Shares in excess of the 580,000,000 Rights Shares that Mr. Tang has undertaken to subscribe or procure subscription for under the Irrevocable Undertaking
<b>“Rights Shares”</b>	not less than 1,631,233,962 Consolidated Shares and not more than 1,660,480,104 Consolidated Shares, proposed to be offered to the Qualifying Shareholders under the Rights Issue for subscription on the terms and subject to the conditions set out in this Agreement and in the Prospectus Documents
<b>“Rights Issue”</b>	the proposed offer for subscription by the Qualifying Shareholders for the Rights Shares (with Bonus Shares) at the Subscription Price on the terms and subject to the conditions set out in this Agreement and the Prospectus Documents
<b>“Settlement Date”</b>	11 March 2010, being the fourth business day following (but excluding) the Latest Time for Acceptance or such later date as the Company and the Underwriter may agree
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SGM”</b>	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Share Consolidation, the Rights Issue, the issue and allotment of the Bonus Shares, this Agreement and the transactions contemplated hereunder
<b>“Share Option Schemes”</b>	the share option schemes adopted by the Shareholders at the special general meeting of the Company held on 3 May 2002
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the implementation of the Share Consolidation
<b>“Share Consolidation”</b>	means the consolidation of every 5 Shares into 1

	issued Consolidated Share of HK\$0.05 each
<b>“Shareholder(s)”</b>	holder(s) of issued Share(s) or Consolidated Share(s) as the case may be
<b>“Specified Event”</b>	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in Clause 10.1 untrue or incorrect in any material respect
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Subscription Price”</b>	the issue price of HK\$0.185 per Rights Share (with Bonus Shares) at which the Rights Shares (with Bonus Shares) are proposed to be offered for subscription
<b>“subsidiary”</b>	has the same meaning ascribed thereto in section 2 of the Companies Ordinance and <b>“subsidiaries”</b> shall be construed accordingly
<b>“taken up”</b>	in relation to any Rights Shares (with Bonus Shares), means those Rights Shares (with Bonus Shares) in respect of which Complying Applications have been received on or before the Latest Time for Acceptance and references to <b>“take up”</b> shall be construed accordingly
<b>“Takeovers Code”</b>	the Hong Kong Code on Takeovers and Mergers
<b>“this Agreement”</b>	this underwriting agreement as amended from time to time
<b>“Underwritten Shares”</b>	not less than 706,419,206 Rights Shares (with Bonus Shares) and not more than 735,665,348 Rights Shares (with Bonus Shares)
<b>“Untaken Shares”</b>	those (if any) of the Rights Shares for which duly completed PAL(s) (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time for Acceptance
<b>“Verification Notes”</b>	the verification notes relating to the Prospectus to be prepared by Freshfields Bruckhaus

Deringer which shall be in the agreed form

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

- 1.2 References to the singular number include the plural and vice versa and references to one gender include every gender. The clause headings in this Agreement are for convenience only and have no legal effect.
- 1.3 Any reference to a document being “**in the agreed form**” means in such form as may following the date of this Agreement be agreed between the Company and the Underwriter, both acting reasonably.
- 1.4 References to Clauses and Recitals are to clauses of and recitals to this Agreement.
- 1.5 References in this Agreement to time are to Hong Kong time.

## **2. CONDITIONS PRECEDENT**

2.1 The Rights Issue is conditional upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date and, if necessary, the filing of the Prospectus with the Registrar of Companies in Bermuda in compliance with the Companies Act;
- (2) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (3) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares by no later than the first day of their dealings;
- (4) this Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time of Termination;
- (5) the passing of the necessary resolution(s) by the Shareholders (where applicable, the independent Shareholders) at the SGM to approve (i) the Share Consolidation; (ii) the Rights Issue, (iii) the issue and allotment of the Bonus Shares, and the transactions contemplated hereunder;

- (6) the Share Consolidation having become effective;
  - (7) compliance with and performance by the Company of all the undertakings and obligations under the terms of this Agreement;
  - (8) compliance with and performance of all undertakings and obligations of Mr. Tang under the Irrevocable Undertaking;
  - (9) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares and Bonus Shares; and
  - (10) the SFC granting a waiver under Note 1 on dispensations from Rule 26 of The Hong Kong Code on Takeovers and Mergers of any obligation of Mr. Tang and any parties acting in concert with him to make a general offer for the shares of the Company as a result of the Rights Issue.
- 2.2 The Company shall use all reasonable endeavours to procure the fulfilment of all the Conditions Precedent by the Latest Time for Termination (or such other time and date as stipulated in Clause 2.1) or such other date as the Company and the Underwriter may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Rights Shares and the Bonus Shares or to give effect to the Rights Issue and the arrangements contemplated in this Agreement.
- 2.3 The Company shall make an application to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares.
- 2.4 The Conditions Precedent are incapable of being waived. If the Conditions Precedent are not satisfied in whole or in part by the Latest Time for Termination (or such other time and date as stipulated in Clause 2.1) or such other date as the Company and the Underwriter may agree, this Agreement shall terminate (save and except for Clauses 8.2, 14 and 16 which shall remain in full force and effect) and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

### **3. PUBLICATION OF THE ANNOUNCEMENT**

- 3.1 Subject to obtaining approval from the Stock Exchange, the Company shall arrange for the Announcement to be published on the Stock Exchange's website and its own website as soon as reasonably practicable following the signing of this Agreement.
- 3.2 The Company shall use its reasonable endeavours to procure the posting of the Prospectus Documents to the Qualifying Shareholders on or about the Prospectus Posting Date (or such other time as may be agreed between the Company and the Underwriter). The Company shall deliver to the Underwriter a certified copy of the resolution of the Board approving the Prospectus Documents and authorising the despatch thereof as soon as reasonably practicable and in any event within two

business days from the date of despatch of the Prospectus Documents.

#### **4. THE RIGHTS ISSUE**

- 4.1 Subject to fulfilment or waiver of the Conditions Precedent (other than those in Clause 2.1(3), (4) and (7)):
- (1) the Company shall offer the Rights Shares to the Qualifying Shareholders, in the proportion of 3 Rights Shares for every 1 Consolidated Share held at the Record Date and Time (with Bonus Shares in the proportion of 2 Bonus Shares for every 3 Rights Shares taken up under the Rights Issue), at the Subscription Price by posting the Prospectus Documents to such Shareholders on the Prospectus Posting Date on the basis that payment for the Rights Shares (with Bonus Shares) shall be made in full on application not later than the Latest Time for Acceptance;
  - (2) the Company shall, on the Prospectus Posting Date, post the Prospectus marked “**For information only**” and a letter in agreed form explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Rights Issue; and
  - (3) the Company shall deliver to the Underwriter certified copies of the resolutions referred to in Recital (C) on or before the Prospectus Posting Date.
- 4.2 Prior to the despatch of the Prospectus Documents pursuant to Clause 4.1(1), the Company shall deliver to the Underwriter:
- (1) the Verification Notes relating to the Prospectus duly signed by or on behalf of the Directors; and
  - (2) letter(s) from the auditors or reporting accountants of the Company, as appropriate, addressed to the Company reporting on or confirming the pro forma net tangible asset value of the Group, and where necessary, sufficiency of working capital of the Group, indebtedness statement and other financial information if and as required by the Stock Exchange or the SFC to be contained in the Prospectus and consenting to the issue of the Prospectus with the inclusion of their names and the references thereto in the form and context in which they are included.
- 4.3 The Rights Shares and the Bonus Shares, when allotted and issued, shall rank *pari passu* in all respects with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares and the Bonus Shares, including the right to receive all dividends and distributions which may be declared, made or paid on or after such date.
- 4.4 No fractional entitlements to the Rights Shares will be issued to the Shareholders and no entitlements of the Prohibited Shareholders to the Rights Shares will be issued to the Prohibited Shareholders. The Rights Shares representing such fractional entitlements and entitlements of the Prohibited Shareholders will be aggregated and sold in the open market, if a premium, net of expenses can be obtained and the net

proceeds, after deduction of related expenses arising from such sale, will be retained for the benefit of the Company.

- 4.5 The Company shall immediately after the Latest Lodging Time but in any event before the Record Date and Time make such enquiry regarding the legal restrictions, if any, under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where the Overseas Shareholders reside.

## **5. UNDERWRITING OBLIGATIONS AND ACCEPTANCE OF RIGHTS SHARES BY THE UNDERWRITER**

- 5.1 Subject to the provisions of this Agreement (including without limitation, the full fulfilment of the conditions precedent set out in Clause 2.1), if and to the extent that at the Latest Time for Acceptance, there shall be any Remaining Untaken Shares, then the Underwriter shall subscribe or procure subscription for all of the Remaining Untaken Shares on the terms as set out in the Prospectus Documents, save as regards the time for acceptance and payment which shall be dealt with in accordance with this Clause 5.4, and shall procure to be paid to the Company the amount due in respect thereof, subject to and in accordance with the provisions of this Clause 5.4.
- 5.2 The underwriting commitment of the Underwriter shall be not less than 706,419,206 Rights Shares and not more than 735,665,348 Rights Shares.
- 5.3 The Company shall procure that the Registrar keeps the Underwriter regularly informed on a daily basis of the number of Rights Shares (with Bonus Shares) validly applied for during the period up to the Latest Time for Acceptance and shall procure that the Registrar notifies the Underwriter in writing as soon as practicable thereafter (and in any event not later than 4:00 p.m. on the business day immediately following the Latest Time for Acceptance) the total number of Remaining Untaken Shares, and the Underwriter shall subscribe or procure subscription on the terms of the Prospectus Documents (so far as the same are applicable) for the Remaining Untaken Shares by 4:00 p.m. on the Settlement Date in full.
- 5.4 The Underwriter shall, not later than 4:00 p.m. on the Settlement Date, pay or procure payment to the Company by way of banker's draft or cashier's order drawn on a licensed bank in Hong Kong or by way of bank transfer of the aggregate Subscription Price in respect of the Remaining Untaken Shares for which it is obliged to subscribe or procure subscription in accordance with this Clause 5, less any amounts payable to the Underwriter pursuant to Clause 8.1.
- 5.5 Forthwith following receipt by the Company of payment referred to in Clause 5.4 and in any event not later than 4:00 p.m. on 12 March 2010 or on such other date on which the share certificates are despatched generally to persons who have applied for the Rights Shares, the Company shall arrange for delivery to the Underwriter or its nominee of share certificates in respect of the fully paid Remaining Untaken Shares together with the relevant Bonus Shares for which the Underwriter has subscribed or procured subscription in such names and in such denominations as the Underwriter may reasonably require at the same time as share certificates are despatched generally

to persons who have applied for the Rights Shares or, where the Underwriter has designated an investor participant or CCASS participant stock account for deposit of all or part of the Rights Shares and the Bonus Shares, evidence to the satisfaction of the Underwriter that such documents and instructions required to effect the crediting of such Rights Shares and the Bonus Shares have been signed or given, as the case may be.

- 5.6 Subject to the requirements of the Listing Rules and the relevant laws, the Underwriter may, in its absolute discretion, appoint any of its affiliates or appoint any person to be sub-underwriter(s) for the purposes of arranging for the sub-underwriting of the Underwritten Shares (with Bonus Shares) provided that all costs and expenses relating thereto be borne by the Underwriter out of the underwriting commission to be paid by the Company (which shall remain unchanged) under Clause 8.1(1).

## **6. OBLIGATIONS OF THE UNDERWRITER**

- 6.1 Any transaction carried out by the Underwriter pursuant to Clause 5 (other than the obligation to subscribe or procure subscription for any Remaining Untaken Shares pursuant to Clause 5.1 and the obligations contained in Clause 6.2) shall constitute a transaction carried out at the request of the Company and as its agent and not in respect of the Underwriter's own account. The Underwriter (in relation to Clause 5) shall not be responsible for any loss or damage to any persons arising from any such transaction, except where such loss or damage arises from the breach by the Underwriter of its obligations under this Agreement or the gross negligence or wilful default or omission of the Underwriter or any agent appointed by them for such purpose.
- 6.2 In acting as agent of the Company hereunder, the Underwriter shall comply with all applicable laws and shall not do or omit anything, the doing or omission of which shall or may cause the Company to be in breach of any applicable laws, and in particular, but without prejudice to the generality of the foregoing, shall ensure that all offers made by it of the Rights Shares are made only in compliance with all applicable laws and regulations and do not require the registration of the Prospectus Documents or any of them or any other document as a prospectus or otherwise in any jurisdiction other than Hong Kong and Bermuda and the Underwriter shall not make or purport to make on behalf of the Company any representation or warranty not contained in the Prospectus Documents.
- 6.3 If the Underwriter shall default in complying with its obligations under Clause 5.1, the Company is hereby irrevocably authorised to treat this Agreement as an application by the Underwriter, on and subject to the terms and conditions and on the basis of the information contained in the Prospectus Documents (other than as to the time of application and payment which shall be dealt with in accordance with Clause 5), for such Remaining Untaken Shares which have not been taken up and to allot and issue the same to the Underwriter upon such terms and conditions. In such event, the Underwriter shall pay to the Company the aggregate Subscription Price in respect of the Remaining Untaken Shares for which it is obliged to subscribe or procure subscription in accordance with Clause 5 less any amounts payable to the Underwriter pursuant to Clause 8.1 against delivery by the Company to the Underwriter (or as it may direct) of such documentary evidence of entitlement to the relevant Remaining

Untaken Shares as is reasonably satisfactory to the Underwriter.

- 6.4 In the event of the Underwriter being called upon to subscribe for or procure subscribers of the Remaining Untaken Shares pursuant to Clause 5.3:
- (1) the Underwriter shall not subscribe, for its own account, for such number of Remaining Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Rights Issue; and
  - (2) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Remaining Untaken Shares procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); and (ii), save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue.

## **7. ALLOTMENT AND ISSUE**

- 7.1 Subject to the fulfilment or waiver of the Conditions Precedent, the Company shall, not later than 4:00 p.m. on 12 March 2010, or such later date as may be agreed between the Underwriter and the Company, duly allot and issue the Rights Shares validly applied for together with the Bonus Shares and shall issue certificates for the Rights Shares together with the Bonus Shares to the relevant subscribers in accordance with the terms of the Prospectus Documents.
- 7.2 The Remaining Untaken Shares taken up by the Underwriter or for which they have procured subscribers as provided in Clause 5 together with the relevant Bonus Shares will be duly allotted and issued and certificates in respect thereof, or evidence that the same has been deposited into investor participant or CCASS participant stock account designated by the Underwriter, will be delivered to the Underwriter or as they may direct as soon as is reasonably practicable following receipt by the Company of payment as provided in Clause 5.4, in accordance with Clause 5.5.

## **8. FEES AND EXPENSES**

- 8.1 In consideration of the Underwriter's obligations under this Agreement to underwrite the Remaining Untaken Shares and its services in connection with the issue of the Rights Shares (with Bonus Shares), the Company shall by not later than the date of despatch of the share certificates in respect of the Rights Shares and the Bonus Shares make the following payments:
- (1) to the Underwriter an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares (ie. 735,665,348 Underwritten Shares); and

- (2) to the Underwriter reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue.
- 8.2 The amount referred to in Clause 8.1(1) shall not be payable if this Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to Clause 12. Payment of the amounts referred to in Clauses 8.1(2) shall be made whether or not the obligations of the Underwriter under this Agreement become unconditional or are terminated pursuant to Clause 12.
- 8.3 Out of the commission referred to in Clause 8.1(1), the Underwriter will pay any commissions, costs and expenses incurred by it in respect of the sub-underwriting of the Underwritten Shares.
- 8.4 The amounts payable pursuant to Clause 8.1 may be withheld by the Underwriter from any payment to be made by the Underwriter to the Company pursuant to Clause 5.4. In the event of the Underwriter not being called upon to subscribe or procure subscribers pursuant to Clause 5.3 and/or the amount of the subscription moneys payable by the Underwriter being less than the full amount payable by the Company under Clause 8.1, the amounts payable pursuant to Clause 8.1, or the balance thereof, shall be due and payable as soon as reasonably practicable and in any event not later than the date of despatch of the share certificate in respect of the Rights Shares and the Bonus Shares or such other date as may be agreed between the Company and the Underwriter.
- 8.5 The Company shall bear its own legal fees, accountancy and other professional fees, the Registrar's fees, the cost of printing and distributing the Announcement and the Prospectus Documents and all other costs, charges and expenses relating to the issue of the Rights Shares and the Bonus Shares and associated transactions (including, without limitation, all fees payable to the Stock Exchange in connection with the listing of the Rights Shares and the Bonus Shares and capital duty (if any) payable on the issue of its share capital). The Company shall forthwith upon request by the Underwriter reimburse the Underwriter for any such expenses as are referred to above which the Underwriter may have properly paid or incurred on behalf of the Company.

## **9. ANNOUNCEMENTS**

Save as expressly required hereunder or as otherwise required by the Stock Exchange or the SFC, no public announcement or communication to Shareholders or to the Stock Exchange or to the SFC concerning the Company and/or its subsidiaries which is material in relation to the Rights Issue shall be made or despatched by the Company or the Underwriter between the date hereof and, if all the Underwritten Shares are taken up, the Latest Time for Acceptance or, in any other case, the time at which the Underwriter is obliged to make payment under Clause 5.4, without prior written approval from the Company and the Underwriter as to the content, timing and manner of making or despatch thereof which approval shall not be unreasonably withheld or delayed.

## **10. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS**

10.1 The Company represents and warrants to and undertakes with the Underwriter in the following terms:

- (1) the facts stated in the Recitals are true and accurate in all material respects;
- (2) all statements of fact contained or to be contained in the Announcement or the Prospectus Documents are and will at the date of issue thereof be true and accurate in all material respects and not misleading and all expressions of opinion, intention and expectation expressed therein are and will be fair and made after due and careful consideration;
- (3) there will be no information not disclosed in the Prospectus Documents (a) the omission of which makes any statement therein misleading in any material respect or which, in the context of the issue of the Rights Shares and the Bonus Shares, might be material for disclosure therein or (b) which is necessary to enable investors to make an informed assessment of the activities, assets and liabilities, financial position, management, profits and losses and prospects of the Group and of the rights attaching to the Rights Shares and the Bonus Shares;
- (4) the audited consolidated balance sheet of the Group as at the Audited Accounts Date, the audited consolidated profit and loss account of the Group for the financial year ended on such date (including the notes thereto) were prepared in accordance with the applicable law and on a basis consistent with that adopted in preparing the audited accounts for the previous two financial years in accordance with accounting principles, standards and practices generally accepted in Hong Kong so as to give (except to the extent (if any) disclosed therein) a true and fair view of the state of affairs of the Group as at the relevant dates and the profit or loss of the Group for the relevant financial periods. There has been no material adverse change in the financial or trading position of the Group since the Audited Accounts Date;
- (5) the returns for taxation purposes, which ought to have been made by or in respect of the companies in the Group in Hong Kong and any other part of the world, have been duly made and there are no circumstances known to any company in the Group or any of their respective directors, after making due and careful enquiry, which might be the occasion of any dispute with the relevant revenue or other appropriate authorities which is material adverse to the Group and all such returns are in all material respects up to date, correct and on a proper basis and are not the subject of any material dispute with the relevant revenue or other appropriate authorities;
- (6) there are existing valid policies of insurance against all liabilities, risks and losses against which it is normal or prudent to insure in respect of all major property and assets owned by and all businesses carried on by the companies in the Group and nothing has been done or has been omitted to be done whereby any of the said policies has or may become void or is likely to be avoided;
- (7) the statements, forecasts, estimates and expressions of opinion, intention and

expectation to be contained in the Announcement or the Circular will at the respective dates of issue thereof be made after due and proper consideration, will at the respective dates of issue thereof be fair and honest and represent reasonable expectations based on facts known or which on reasonable enquiry ought to have been known to the Company and/or the Directors or any of them;

- (8) all information necessary for the purpose of, or in the course of preparation of, the Announcement and the Prospectus, and the replies to the Verification Notes, or which ought reasonably to have been disclosed or made available by the Company or the Directors was so disclosed or made available to the Underwriter or its legal advisers fully, fairly and accurately and the replies to the Verification Notes (which will be prepared or approved by persons having appropriate knowledge and responsibility to enable them properly to provide such replies) given by the Company and the Directors will be true, accurate and complete in all material respects and will contain all material information and particulars with regard to the subject matter thereof;
- (9) each of the companies in the Group is duly incorporated in and under the laws of its place of incorporation and has full power and authority to conduct its business as now carried on;
- (10) neither the Company nor any of its subsidiaries is engaged in any litigation, arbitration, prosecution or other legal proceeding of material importance nor is there any such proceeding pending or threatened against the Company or any of its subsidiaries, nor is there any claim or fact likely to give rise to any claim which in any such case may have or has had a material adverse effect on the financial position of the Company and its subsidiaries taken as a whole or which may have or has had a material adverse effect in the context of the Rights Issue;
- (11) except as has been disclosed by the Company by public announcement to Shareholders, neither the Company nor any of its subsidiaries has entered into any contract or commitment of an unusual or onerous nature which, in the context of Rights Issue, might be material for disclosure;
- (12) the Company and its subsidiaries has carried on its business in the ordinary and usual course and there has been no material adverse change in the financial or trading position of the Company or any of its subsidiaries which has not been fully and properly disclosed by the Company in the form of an announcement in accordance with the Listing Rules or otherwise as required by the Listing Rules;
- (13) no order has been made and no resolution has been passed for the winding up of, or for a provisional liquidator to be appointed in respect of, the Company or any of its subsidiaries, and no petition has been presented and no meeting has been convened for the purpose of winding up any of the same; no receiver has been appointed in respect of the Company or any of its subsidiaries or all or any of its assets; none of the Company or any of its subsidiaries is insolvent, or unable to pay its debts within the meaning of section 178 of the Companies Ordinance, or has stopped paying its debts as they fall due; and no unsatisfied judgment which is material adverse to the condition of the Company is

outstanding against the Company or any of its subsidiaries;

- (14) the Prospectus Documents will contain all particulars and information required by, and will be in accordance with the Companies Ordinance, the Listing Rules, the rules and regulations of the Stock Exchange and all other relevant statutory provisions and governmental regulations in Hong Kong and Bermuda and shall not involve any breach of or default under any agreement, trust deed or instrument to which any member of the Group is a party;
- (15) no material outstanding indebtedness or guarantee or indemnity of any liability of the Company or any of its subsidiaries has become payable by reason of default by the Company or any of its subsidiaries and no event has occurred or is pending which with the lapse of time or the fulfillment of any condition or the giving of notice or the compliance with any other formality may result in any such indebtedness or guarantee or indemnity of any liability becoming so payable;
- (16) the Company shall not from the date hereof until after the Latest Time for Acceptance issue any Shares or issue or grant any Options or other securities convertible into, exchangeable for or which carry rights to acquire Shares, save for the issue of any Share pursuant to the exercise of any Option;
- (17) on the date of issue of the Rights Shares and the Bonus Shares, the Company will have the power under its memorandum of association and bye-laws, will have taken all necessary corporate or other action to enable it to, and no other consents, actions, authorisations or approvals are necessary to enable or authorise it other than the obtaining the consents and approvals referred to in Clauses 2.1:
  - (a) to issue and allot the Rights Shares and the Bonus Shares in accordance with the Prospectus Documents without any sanction; and
  - (b) to enter into and perform its obligations under this Agreement and to make the Rights Issue.
- (18) the Rights Shares and the Bonus Shares, when allotted and issued, will be issued free from all liens, charges, encumbrances and third party rights, interests or claims of any nature whatsoever and will rank pari passu in all respects among themselves and with the Consolidated Shares then in issue on the date of allotment and issue of the Rights Shares; and
- (19) the obligations of the Company under this Agreement constitute legally valid and binding obligations of the Company enforceable in accordance with the terms herein.

10.2 The Company undertakes to use all reasonable endeavours not to cause or permit any Specified Event to occur prior to the Latest Time for Termination. Each of the representations, warranties and undertaking contained in Clause 10.1 shall be construed separately and shall not be limited or restricted by reference to or inference from the terms of any other of the representations, warranties and undertaking or any other terms of this Agreement. If this Agreement is not rescinded pursuant to Clause

12, all such warranties, representations and undertakings as are contained in Clause 10.1 above shall be deemed to have been repeated as at the Latest Time for Termination with reference to the facts and circumstances then subsisting.

- 10.3 If any Specified Event shall occur or come to the knowledge of the Company prior to the Latest Time for Termination, it shall forthwith give notice to the Underwriter of the same.
- 10.4 The foregoing provisions of this Clause 10 will continue in full force and effect notwithstanding the completion of the Rights Issue.

## **11. INDEMNITY**

11.1 The Company shall on demand indemnify the Underwriter and shall on demand hold the Underwriter indemnified against all loss or liability of any nature (including, without limitation, claims, costs, charges and expenses) whatsoever arising from or in respect of any material breach by the Company of any provision of this Agreement, or any claim which may be brought or threatened to be brought against the Underwriter (whether or not such claim is successfully compromised or settled) in each case arising out of or in relation to or by reason of the performance by the Underwriter of its obligations hereunder (and provided that such loss or liability is not connected with any failure by the Underwriter to comply with its obligations under Clause 5.1), by any subscriber or sub-Underwriters of any of the Rights Shares (with Bonus Shares) or any subsequent purchaser or transferee thereof or any other person claiming that he has suffered loss in respect of them as a result of:

- (1) the Prospectus Documents not containing all the information required by law or the Listing Rules or pursuant to the rules of the Stock Exchange or other relevant authority or body to be stated therein or on the grounds that any statement, estimate or forecast contained in the Prospectus Documents is untrue, inaccurate or misleading in any material respect;
- (2) the Prospectus Documents failing or being alleged to fail to disclose sufficient information necessary to enable an informed assessment to be made by a sophisticated investor of the assets and liabilities, financial position, profits and losses, and prospects of the Group or of the rights attaching to the Rights Shares;
- (3) any claims and proceedings arising out of matters which constitute a material breach of the representations and warranties in Clause 10;
- (4) other than non-compliance or breach by the Underwriter of its obligations under this Agreement, any breach of the laws or regulations of any country resulting from the allotment or issue of the Rights Shares and the Bonus Shares or the distribution of the Prospectus Documents;
- (5) any material misrepresentation by either the Company or any of the its directors or any employee of the Company in connection with the Rights Issue;  
or

(6) the allotment or issue of the Rights Shares and the Bonus Shares,

including in any such case (but without prejudice to the generality of the foregoing) all reasonable costs, charges and expenses of whatever nature which the Underwriter may properly incur or bear in disputing any such claim made against it or establishing any claim on its part under this Clause 11 provided that this indemnity shall not relate to any claims, proceedings, costs or expenses arising from any gross negligent act, wilful omission or default on the part of the Underwriter and that the conduct of the defence (including any settlement of any such claim) shall be carried out by the Underwriter after, and on the basis of, regular consultation with the Company.

11.2 The Company shall not make any claim against the Underwriter to recover any damages which the Company may suffer arising out of the performance by the Underwriter of its obligations hereunder, provided that such damages do not arise from any gross negligent act, wilful omission or default on the part of the Underwriter.

11.3 If the Underwriter becomes aware of any claim relevant for the purposes of Clause 11.1, they shall forthwith give notice in writing thereof to the Company and shall take such action as the Company may reasonably request to avoid, dispute, resist, defend or appeal against the claim and any adjudication in respect thereof but subject to the Underwriter being fully indemnified and secured to their satisfaction against all losses and expenses to which they might thereby render themselves liable to suffer and incur including, without limitation, legal expenses properly incurred by its legal advisers.

## **12. RESCISSION AND TERMINATION**

12.1 If, prior to the Latest Time for Termination (provided that for the purposes of this Clause 12 if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

(1) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem

generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus or other announcements or circulars in connection with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate this Agreement.

12.2 The Underwriter shall be entitled by notice in writing to rescind this Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in Clause 10.1 above comes to the knowledge of the Underwriter; or

(2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

- 12.3 If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, the obligations of all parties under this Agreement (save and except this Clause 12.3 and Clauses 11, 14 and 16 which shall remain in full force and effect and save further that the Company shall pay the fees and expenses specified in Clause 8.1(2) shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.
- 12.4 If this Agreement is terminated by the Underwriter at such time before the Latest Time for Termination but after the Underwriter has in accordance with Clause 5.4 paid or procured payment to the Company of the aggregate Subscription Price in respect of the Remaining Untaken Shares for which the Underwriter is obliged to subscribe or procure subscription under the provisions of Clause 5.1, the Company shall, not later than the end of the second business day after (but not including) the date of receipt of the notice of termination issued by the Underwriter pursuant to Clause 12.1 or Clause 12.2, remit to the Underwriter such amount of aggregate Subscription Price which it has received from the Underwriter. For the avoidance of doubt, notwithstanding the payment of any sum by or to the Company, Clause 8.2 shall apply and the amount referred to in Clause 8.1(1) in any event shall not be payable.
- 12.5 Rescission or termination of this Agreement under this Clause 12 shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

### **13. TIME OF THE ESSENCE**

Any time, date or period mentioned in this Agreement may be extended by mutual agreement between the parties hereto, but as regards any time, date or period originally fixed or any time, date or period so extended as aforesaid, time shall be of the essence.

### **14. NOTICES**

- 14.1 Any notice required to be given hereunder will be deemed to be duly served if left at or sent by hand, by telex or facsimile transmission or pre-paid post to the registered office or to the following addresses and facsimile numbers and marked for the attention of the following persons:

<u>Party</u>	<u>Address</u>	<u>Facsimile number</u>
The Company	5/F, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong	2312 8148

Kong

The Underwriter	Kingston Securities Limited	2295-0682
	Suite 2801, 28 <sup>th</sup> Floor	
	One International Finance Centre	
	1 Harbour View Street	
	Hong Kong	

- 14.2 Any such notice will be deemed to be served if sent by facsimile on receipt of answerback, if sent by hand at the time when the same is handed to or left at the address of the party to be served, and if sent by post on the day (excluding Sundays or Hong Kong public holidays) after the day of posting.
- 14.3 The Company shall issue a written notice to the Underwriter if there is any change in the timetable in respect of the Rights Issue.

**15. MISCELLANEOUS**

- 15.1 This Agreement may be executed in any number of counterparts which when executed and delivered is an original, but all the counterparts together constitute the same document.
- 15.2 Any liability of any party hereunder to any other party may in whole or in part be released, compounded or compromised and time or indulgence may be given by any party hereunder as regards any other party under such liability without prejudicing that party's rights against any other person under the same or a similar liability.

**16. GOVERNING LAW AND JURISDICTION**

- 16.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong.
- 16.2 The parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong but this Agreement may be enforced in any other court in competent jurisdiction.

IN WITNESS WHEREOF this Agreement has been entered into the day and year first above written.

**THE COMPANY**

SIGNED by CHAN CHUN HONG, THOMAS )

for and on behalf of )

WANG ON GROUP LIMITED )

in the presence of: )

ANYTA MAK  
*[Handwritten signature]*

and on behalf of  
WANG ON GROUP LIMITED  
*[Handwritten signature]*

**THE UNDERWRITER**

SIGNED by )

for and on behalf of )

KINGSTON SECURITIES LIMITED )

in the presence of: )



**EXHIBIT**

**DRAFT ANNOUNCEMENT**