

*Execution copy*

Dated the 12<sup>th</sup> day of December 2016

**PPS INTERNATIONAL (HOLDINGS) LIMITED**

AND

**BILLIONTON TECHNOLOGY GROUP LIMITED**

AND

**WU SHANGJUN**

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**SUBSCRIPTION AGREEMENT**  
relating to shares in  
**BILLIONTON TECHNOLOGY GROUP LIMITED**

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**THIS AGREEMENT** is made on the 12<sup>th</sup> day of December 2016

**BETWEEN:**

- (1) **PPS INTERNATIONAL (HOLDINGS) LIMITED**, a company incorporated in the Cayman Islands with its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands (“**Subscriber**”);
- (2) **BILLIONTON TECHNOLOGY GROUPLIMITED**, a company incorporated in the British Virgin Islands with its registered address at Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands (the “**Company**”); and
- (3) **WU SHANGJUN**, holder of PRC Identity Card numbered 430425197002212834, of Unit B, 5/F, CKK Commercial Centre, 289 Hennessy Road, Wan Chai, Hong Kong (“**Founder**”).

**WHEREAS:**

- (A) The Company is incorporated in the British Virgin Islands, the details of which are set out in Schedule 1. The Company is currently holding the entire issued share capital of **WIN FUNG INTERNATIONAL LIMITED** (“**WIN FUNG**”), a company incorporated in the British Virgin Islands, details of which are set out in Schedule 2.
- (B) As at the date hereof, the Founder is the legal and beneficial owner of 1,080,000,001 Shares.
- (C) The Parties intend to cause the Listco to apply for the Listing as soon as practicable.
- (D) The Subscriber and the Company have agreed that the Company shall allot and issue and the Subscriber shall subscribe for the Subscription Shares upon completion of this Agreement on and subject to the terms and conditions hereinafter appearing.

**IT IS AGREED** as follows:

**1. Interpretation**

1.1 In this Agreement unless specifically provided otherwise or the context otherwise requires, the following expressions shall have the following meanings :-

“ <b>Accounts</b> ”	means the management accounts of the Company and its Subsidiaries for the year ended 31 December 2015 and for the nine (9) months ended 30 September 2016;
“ <b>Agreement</b> ”	means this agreement, as may be supplemented or amended from time to time;
“ <b>Business Day</b> ”	means a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or

	remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours;
<b>"Completion"</b>	means completion of this Agreement;
<b>"Completion Date"</b>	means the second Business Day after the day on which the last of the Conditions is fulfilled or waived (as the case may be) in accordance with Clause 2A (or such later date as the Parties may agree in writing);
<b>"Conditions"</b>	means the conditions precedent set out in Clause 2A;
<b>"Consideration"</b>	means HK\$15,000,000;
<b>"Default"</b>	means (A) the inability to conduct a Listing due to reasons of (i) unsuitability of controlling shareholders and/or the directors as a result of events / actions, regulatory sanctions or reprimands leading to such person unsuitable to be a director or controlling shareholder of a listed company; or (ii) material breaches of WIN FUNG or any member of the Group of laws and regulations (i.e. tax, licenses, mandatory provident fund, misleading financials) during the relevant track record period; or (B) the audited consolidated financial statements of the Group for the two years ending 31 December 2016 showing the net cash inflow from operating activities to be less than HK\$25,000,000; or (C) the Listing Committee of the Stock Exchange or the SFC finally determines the Listco is unsuitable for listing; or (D) the proceeds from the subscription for the Subscription Shares are used for purposes other than defraying the expenses in connection with the Listing;
<b>"Final Payment Date"</b>	means at least 28 clear days before the date of the first submission of the application form for Listing. For the avoidance of doubt, the Final Payment Date shall be determined by the



	sponsor to the Listing which shall be final and conclusive on the Parties;
<b>“Group”</b>	means the Company and its Subsidiaries and the expression <b>“Group Company”</b> means anyone of them;
<b>“HK\$”</b>	means Hong Kong dollars, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the PRC;
<b>“Interest”</b>	means the interest accrued on (1) the principal amount of HK\$8,000,000 from the period commencing from the Completion Date and up to and including the Put Option Completion Date; and (2) the principal amount of HK\$7,000,000 from the Final Payment Date and up to the Put Option Completion Date, at the Interest Rate and calculated on the basis of a 365-day year and the actual number of days elapsed during the relevant period. For the avoidance of doubt, no interest shall be payable by the Company to the Subscriber if the Put Option is not exercised by the Subscriber;
<b>“Interest Rate”</b>	means 18% per annum;
<b>“Listing”</b>	means the listing of the shares of the holding company ( <b>“Listco”</b> ) of the Group on the Growth Enterprise Market of the Stock Exchange;
<b>“Listing Deadline”</b>	has the meaning ascribed thereto in Clause 4.5;
<b>“Long Stop Date”</b>	means 31 December 2016;
<b>“Parties”</b>	means the named parties to this Agreement and <b>“Party”</b> means any one of them;
<b>“PRC”</b>	means the People’s Republic of China;
<b>“Put Option”</b>	has the meaning ascribed to it in Clause 5;
<b>“Put Option Completion Date”</b>	has the meaning ascribed to it in Clause 5;
<b>“Put Option Consideration”</b>	means such installment(s) of the Consideration which has or have been paid by the Subscriber

	to the Company together with the Interest accrued thereon;
<b>“Put Option Shares”</b>	means the Subscription Shares to be subscribed by the Subscriber as contemplated under this Agreement or such shares in the share capital of the Listco as a result of the Share Swap;
<b>“Replacement Share Charge”</b>	means the share charge (in substantially the same form to the Share Charge) over the shares of the Listco to be executed by the Share Chargor in favour of the Subscriber when the Share Swap is implemented for the purposes of substituting for the Share Charge;
<b>“SFC”</b>	means the Securities and Futures Commission;
<b>“Share Charge”</b>	means the share charge over 666,666,666 Shares to be executed by the Share Chargor in favour of the Subscriber to secure the performance of obligations of the Company in respect of the exercise of the Put Option;
<b>“Share Chargor”</b>	means Mr. Wu Shangjun, a shareholder of the Company;
<b>“Share Swap”</b>	has the meaning ascribed to it in Clause 4.5;
<b>“Shares”</b>	means ordinary shares in the share capital of the Company;
<b>“Stock Exchange”</b>	means The Stock Exchange of Hong Kong Limited;
<b>“Subscription Shares”</b>	means 222,222,222 Shares, representing approximately 10% of the issued share capital of the Company immediately upon Completion on a fully-diluted basis;
<b>“Subsidiaries”</b>	means the subsidiaries of the Company including, among others, WIN FUNG;
<b>“United States”</b>	means the United States of America;
<b>“US\$”</b>	means United States dollars, the lawful currency of the United States; and
<b>“Warrantors”</b>	means the Company and the Founder.

- 1.2 The headings are inserted for convenience only and shall not affect the construction of this Agreement.
- 1.3 Unless the context requires otherwise, in this Agreement words importing the singular include the plural and vice versa and words importing a gender or the neuter include both genders and the neuter.
- 1.4 The expressions the "Subscriber" and the "Company" shall, where the context permits, include their respective successors, personal representatives, executors, administrators, estates and permitted assigns.

## **2. Subscription**

- 2.1 The Subscriber hereby agrees to subscribe for and the Company shall allot and issue to the Subscriber the Subscription Shares free from all liens, charges and encumbrances and together with all rights now or hereafter attaching to them and the Subscription Shares shall rank pari passu in all respects with the shares in issue at the Completion Date.
- 2.2 The aggregate Consideration payable by the Subscriber under this Agreement for the subscription of the Subscription Shares shall be HK\$15,000,000, which shall be payable in cash in two installments in the following manner:
  - (a) as to HK\$8,000,000 to be paid on Completion; and
  - (b) as to HK\$7,000,000 to be paid on the Final Payment Date.

## **2A. Conditions**

- 2A.1 Completion is conditional upon the following Conditions being fulfilled or waived on or before the Long Stop Date:
  - (a) the Subscriber having completed the due diligence exercise on the Group and is satisfied with the results thereof;
  - (b) there having been no material adverse change, or any development likely to involve a prospective material adverse change, in the condition (financial, operational or otherwise) or in the earnings, business affairs or business prospects, assets or liabilities of the Group, whether or not arising in the ordinary course of business since the date of this Agreement.
- 2A.2 The Company and the Subscriber shall use their respective reasonable endeavours to procure the fulfillment of the Conditions.
- 2A.3 The Subscriber may at any time by notice in writing to the Company waive any of the Conditions. If any of the Conditions is not fulfilled or waived at or before 5:00 p.m. on the Long Stop Date, this Agreement shall cease and determine (save and except Clauses 1, 9, 10, 11 and 12 which shall continue to have full force and effect), in which event no Party shall take any action to claim for damages or to enforce specific performance



or any other rights and remedies save for any antecedent breaches of the terms hereof.

**3. Completion and final payment of consideration**

3.1 Completion shall take place on the Completion Date when the following relevant businesses shall take place:

The Subscriber shall deliver to the Company:

- (a) a cheque or cashier order for HK\$8,000,000 in favour of the Company or any Subsidiary as directed by the Company;
- (b) a consent to act as director of the Company duly signed by the person nominated by the Subscriber to act as non-executive director of the Company; and
- (c) a subscription letter for the Subscription Shares duly signed by the Subscriber.

3.2 At Completion, the Company shall do the following:

- (a) allot and issue the Subscription Shares to the Subscriber;
- (b) record the Subscriber as a shareholder of the Company;
- (c) deliver to the Subscriber a certified copy of the resolutions duly passed by the directors of the Company approving, among others, (i) the appointment of the person nominated by the Subscriber as non-executive director of the Company; and (ii) the allotment and issue of the Subscription Shares to the Subscriber;
- (d) deliver or cause to be delivered to the Subscriber the Share Charge duly executed by the Share Chargor under seal; and
- (e) conduct all relevant filings in the British Virgin Islands and/or Hong Kong as necessary.

3.3 Subject to Completion, the Subscriber shall pay the remaining Consideration in the amount of HK\$7,000,000 to the Company on or before the Final Payment Date by delivering a cheque or cashier order for HK\$7,000,000 in favour of the Company or any Subsidiary as directed by the Company PROVIDED THAT the Company shall deliver a written notice together with the Listing timetable endorsed by the sponsor to the Listing to the Subscriber at least three (3) Business Days before the Final Payment Date.

**4. Representations, Warranties, Undertakings of the Company**

4.1 Each of the Warrantors represents, warrants and undertakes with the Subscriber in the terms set out in this Clause 4 and Schedule 3. Each of the Warrantors agrees and acknowledges that the Subscriber is entering into this Agreement in reliance in such representations, warranties and undertakings.

4.2 Each of the Warrantors represents, warrants and undertakes to the Subscriber that there



is or will be no outstanding option, warrant or other securities convertible into Shares as at the date hereof and as at the Completion Date and that the Subscription Shares shall be allotted and issued free from encumbrances, liens or third party rights whatsoever and shall rank pari passu with all the shares in the Company and shall represent approximately 10% of the entire issued share capital of the Company immediately upon Completion and approximately 7.5% of the entire issued share capital of the Listco immediately upon Listing on the assumption that the Listco shall issue 25% new shares for subscription by the public on a fully-diluted basis.

- 4.3 Each of the Warrantors represents, warrants and undertakes to the Subscriber that no new Shares shall be issued except with the prior written consent of the Subscriber.
- 4.4 The Subscriber hereby represents and warrants to the Company that it has full power, authority and capacity to execute this Agreement and perform the terms and conditions of this Agreement. This Agreement when executed by the Subscriber, shall have binding legal effect on the Subscriber.
- 4.5 Each of the Warrantors undertakes to the Subscriber to use its reasonable endeavours to procure the swap of its entire issued share capital with shares in Listco ("**Share Swap**") in preparation for the Listing and to conduct the Listing by no later than 31 August 2017 ("**Listing Deadline**"). In the event that the delay is attributable to the Stock Exchange or the SFC, the Listing Deadline shall be extended by mutual agreement on a good faith basis.
- 4.6 It is hereby agreed that when the Share Swap is implemented, (i) the Parties shall endeavour to cause the Share Charge be discharged and substituted by the Replacement Share Charge; and (ii) the Company shall procure the Listco to appoint the person nominated by the Subscriber as its non-executive director.
- 4.7 Each of the Warrantors undertakes to the Subscriber that unless with the prior written approval of the Subscriber, the Company shall not after the Completion Date:
- (a) issue shares of any class, grant options, warrants or other similar rights or repay or redeem any share capital of any of the Group Companies;
  - (b) declare or pay any dividends or other distribution or change the dividend policy of any of the Group Companies; or
  - (c) materially change the nature of business of any of the Group Companies,

provided that any such right granted to the Subscriber shall subsist only for so long as the Subscriber continues to hold shares in the capital of the Company (or, subsequent to the Share Swap, of the ListCo), and in any event, shall automatically terminate upon the Listing, but without prejudice to any rights, claims or liabilities accrued or arising prior to such termination.

- 4.8 Notwithstanding anything to the contrary contained in this Agreement, no claim for breach of warranties of this Agreement shall be made by the Subscriber against any of the Warrantors if the Put Option has been exercised by the Subscriber and the aggregate liability of the Company and Mr. Wu (if any) shall not exceed HK\$15,000,000 plus the

Interest.

**5. Put Option**

- 5.1 Subject to Completion, the Company hereby grant a put option (“**Put Option**”) to the Subscriber to require the Company to repurchase the Put Option Shares at the Put Option Consideration.
- 5.2 Subject to Clause 5.5, in the event of (1) the Listing does not materialise by the Listing Deadline; or (2) the Company commits a Default, the Put Option shall be exercisable by the Subscriber at any time during a period of three months after the Listing Deadline by serving a notice of exercise on the Company duly signed by the Subscriber declaring the Put Option is hereby exercised and requiring the Company to complete the sale and purchase of the Put Option Shares at any place in Hong Kong as determined by the Subscriber at any date (“**Put Option Completion Date**”) which shall be not be earlier than 7<sup>th</sup> Business Day but not later than 14<sup>th</sup> Business Day after the date of such notice.
- 5.3 On the Put Option Completion Date, the Subscriber, being the grantee of the Put Option, shall deliver or procure to be delivered to the Company:
- (a) instrument of transfer and sold note in respect of the Put Option Shares duly executed by the Subscriber as registered holder thereof in favour of the Company or its nominee together with the related share certificate(s);
  - (b) such other documents as may be reasonably required to give good title to the Put Option Shares free from all encumbrances and third party rights of any kind and to enable the Company or its nominee to become the registered holder thereof;
- 5.4 On the Put Option Completion Date, against compliance with the provisions of Clause 5.3, the Company, being the grantor of the Put Option, shall deliver or cause to be delivered to the Subscriber cashier order(s) or solicitors’ cheque(s) drawn in favour of the Subscriber for the Put Option Consideration.
- 5.5 The Put Option shall not become exercisable if the Subscriber shall have instituted any legal proceedings against any of the Warrantors for breach of warranties of this Agreement.

**6. Miscellaneous**

- 6.1 Time will be of the essence of this Agreement.
- 6.2 Each Party shall not make or permit any person connected with it to make any announcement or release or disclose any information concerning this Agreement or any ancillary matter before, on or after Completion without the prior written approval of the other Party (such approval not to be unreasonably withheld or delayed) except as required by law, rules, regulation, the Stock Exchange, the SFC or any other competent regulatory body or disclosure to their respective professional advisers under a duty of confidentiality.



6.3 This Agreement shall be binding upon and enure for the benefit of the estates, personal representatives or successors of the Parties but shall not be assignable.

7. **Further Assurance**

Notwithstanding Completion, each of the Parties hereby undertakes to the others that it will do all such acts and things and execute all such deeds and documents as may be necessary or desirable to carry into effect or to give legal effect to the provisions of this Agreement and the transactions hereby contemplated.

8. **Execution and Counterparts**

This Agreement may be executed in one or more counterparts each of which when so executed shall be an original binding on each Party by whom or on whose behalf it is so executed, but which together shall constitute a single instrument. For the avoidance of doubt, this Agreement shall not be binding on any Party unless and until it shall have been executed by or on behalf of all persons expressed to be a Party.

9. **Law and Jurisdiction**

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

9.2 Each Party hereby irrevocably submits to the non-exclusive jurisdiction of the courts of Hong Kong as regards any claim or matter arising under this Agreement.

10. **General**

If any provision or part of a provision of this Agreement shall be, or be found by any authority or court of competent jurisdiction to be, invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions or parts of such provisions of this Agreement, all of which shall remain in full force and effect.

11. **Notices**

Any notice required to be given by any Party to any other shall be deemed validly served by hand delivery or by prepaid registered letter sent through the post (airmail if to an overseas address) or by facsimile transmission to its address given herein or such other address as may from time to time be notified for this purpose and any notice served by hand shall be deemed to have been served on delivery, any notice served by facsimile transmission shall be deemed to have been served when sent and any notice served by prepaid registered letter shall be deemed to have been served 48 hours (72 hours in the case of a letter sent by airmail to an address in another country) after the time at which it was posted and in proving service it shall be sufficient (in the case of service by hand and prepaid registered letter) to prove that the notice was properly addressed and delivered or posted, as the case may be, and in the case of service by facsimile transmission to prove that the transmission was confirmed as sent by the originating machine.



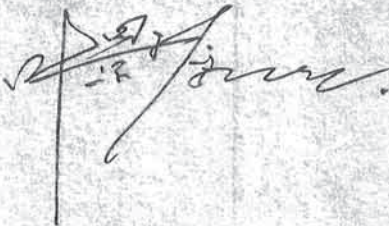
12. **Third Party Interest**

The Parties agree that no person other than the Company and the Subscriber will have any right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce or enjoy the benefit of any of the provisions of this Agreement and the consent of any third party is not required for any variation (including any release or compromise of any liability) rescission or termination of this Agreement.

IN WITNESS whereof the Parties have executed this Agreement on the day and year first above written.

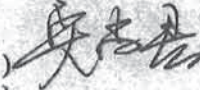
**SUBSCRIBER**

SIGNED by  
for and on behalf of  
PPS INTERNATIONAL (HOLDINGS)  
LIMITED  
in the presence of:

)  
)  
)   
)  
)

**COMPANY**

SIGNED by  
for and on behalf of  
BILLIONTON TECHNOLOGY GROUP  
LIMITED  
in the presence of:

)  
)   
)  
)  
)

**FOUNDER**

SIGNED by  
WU SHANGJUN  
in the presence of:

)  
)   
)

## **SCHEDULE 1**

### **Details of Company**

1. Name of the Company : BILLIONTON TECHNOLOGY GROUP LIMITED
2. Registered Office : Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands
3. Date of Incorporation : 27 January 2014
4. Place of Incorporation : British Virgin Islands
5. Company No. : 1809878
6. Director : Wu Shangjun
7. Issued Share Capital : 2,000,000,001 Shares
8. Shareholders : 1,080,000,001 Shares owned by Wu Shangjun  
80,000,000 Shares owned by Li Kancong  
380,000,000 Shares owned by Sure Joyful Investments Limited  
200,000,000 Shares owned by Hill Luck International Limited  
260,000,000 Shares owned by Charter Victoria Limited
9. Subsidiary : Win Fung International Limited



## SCHEDULE 2

### Details of WIN FUNG

1. Name : WIN FUNG INTERNATIONAL LIMITED
2. Registered Office : Portcullis TrustNet Chambers, P.O. Box 3444,  
Road Town, Tortola, British Virgin Islands
3. Date of Incorporation : 11 September 2013
4. Place of Incorporation : British Virgin Islands
5. Company No. : 1790397
6. Director : Wu Shangjun
7. Issued share capital : 10,001 Shares
8. Shareholders : 10,001 Shares owned by Billionton Technology  
Group Limited
9. Subsidiaries :
  1. Billionton Technologies (HK) Limited
  2. 宏騰電子科技(東莞)有限公司  
(Billionton Technologies (Dongguan)  
Company Limited)
  3. 湖南科利爾環保科技有限公司 (Hunan  
Ke Li Er Environmental Technology  
Company Limited)
  4. 深圳地球村環保產業有限公司  
(Shenzhen Diquacun Environmental  
Property Company Limited)
  5. 東莞市科立爾實業有限公司 (Dongguan  
Shi Ke Li Er Industry Company Limited)

## SCHEDULE 3

### Warranties

#### General

- 1.1 The Company has all requisite legal and corporate power, and has taken all corporate action on the part of the Company, its officers, directors and shareholders necessary, for the authorisation, execution and delivery of this Agreement, the performance of all obligations of the Company hereunder, and the authorisation, issuance (or reservation for issuance) and delivery of the Subscription Shares being allotted and issued hereunder has been taken or will be taken prior to the Completion, and this Agreement, when executed and delivered by the Company, will constitute the valid and legally binding obligation of the Company, enforceable against the Company in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganisation, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies. The issuance of any Subscription Shares is not subject to any pre-emptive rights or rights of first refusal, or if any such pre-emptive rights or rights of first refusal exist, waiver of such rights has been obtained from the holders thereof.
- 1.2 Each of the Group Companies is duly organised and validly existing under the laws of the jurisdiction of its incorporation. Each of the Group Companies has all requisite legal and corporate power and authority to carry on its business as now conducted, and is duly qualified to transact business in the jurisdiction in which it now operates.
- 1.3 Each of the Group Companies has complied in all material respects with any filing and registration requirements in respect of corporate or other documents and licences imposed under all relevant laws.
- 1.4 Upon receipt of the Consideration by the Company and upon Completion, the Subscription Shares shall be credited as fully paid and free and clear of any options, liens, charges, claims, agreements, equities and encumbrances and other third party rights of any nature whatsoever.
- 1.5 The Subscription Shares will constitute approximately 10% of the issued share capital of the Company as at the Completion Date.
- 1.6 No consent, approval, order or authorisation of, or registration, qualification, designation, declaration or filing with, any governmental authority on the part of the Company is required in connection with the valid execution, delivery and consummation of the transactions contemplated by this Agreement or the allotment, issuance or reservation for issuance of the Shares.

#### Accounting matters

- 2.1 All the accounts, books, ledgers and financial and other records of each of the Group Companies have been properly kept in accordance with normal business practice and are in the possession of each of the Group Companies;



- 2.2 The Accounts (i) comply with the requirements of all applicable legislation; (ii) were prepared on the same basis and in accordance with accounting principles generally accepted in Hong Kong at the time they were prepared; (iii) give a true and fair view of the state of affairs and financial position of the Group Companies and of the Group Companies' results and profits; (iv) are accurate in all material respects.
- 2.3 No notice or allegation that any of the above is incorrect has been received by the any of the Group Companies, so far as the Company is aware of.
- 2.4 The business of the each of the Group Companies has been carried on in the ordinary and usual course and so as to maintain it as a going concern and in the same manner (including nature and scope) as in the past and no fixed asset or stock has been written up nor any debt written off.
- 2.5 No event has occurred which gives rise to a tax liability to any of the Group Companies on deemed (as opposed to actual) income, profits or gains or which results in any of the Group Companies becoming liable to pay or bear a tax liability directly or primarily chargeable against or attributable to another person, firm or company.

### **Business**

- 3.1 Each of the Group Companies has not entered into any contract or commitment of an onerous and long term nature.
- 3.2 Each of the Group Companies has continued to pay its suppliers, creditors or sub-contractors in the ordinary course of business.
- 3.3 Each of the Group Companies has not, to any material extent, acquired, sold, transferred or otherwise disposed of any properties or assets of whatsoever nature or cancelled or waived or released or discounted in whole or in part any debts or claims, except in each case in the ordinary course of business and each of the Group Companies has not agreed to do any of the foregoing.
- 3.4 There are not outstanding with respect to each of the Group Companies:
  - (i) any contracts of service with employees which cannot be terminated by three months' notice or less without giving rise to any claim for damages or compensation (other than a statutory redundancy payment);
  - (ii) any agreement (whether by way of guarantee indemnity warranty representation or otherwise) under which any Group members is under any actual or contingent liability in respect of any disposal by any of the Group Companies of its assets or business or any part thereof except such as are usual in the ordinary and proper course of its normal day to day business as carried on at the date of this Agreement;
  - (iii) any contract to which any of the Group Companies is a party which contains any unusual or unduly onerous provision disclosure of which could reasonably be expected to influence the decision of a subscriber for value of any or all of the Subscription Shares; or



- (v) any contract which restricts the freedom of any of the Group Companies to carry on the business now carried on by it in any part of the world.
- 3.5 Compliance with this Agreement does not and will not materially conflict with or result in a material breach of or constitute a material default under any agreement or instrument to which any of the Group Companies is now a party or any loan to or mortgage created by any of the Group Companies or relieve any other party to a contract with any of the Group Companies of its/their obligations under such contract or entitle such party to terminate such contract, whether summarily or by notice.

### **Insurance**

- 4.1 Each of the Group Companies has effected and maintains valid policies of insurance in an amount and to the extent that it is prudent to do so in the business carried on by it. All assets of each of the Group Companies of an insurable nature have at all times been and are insured in amounts to the full replacement value thereof against such risks as are in accordance with good commercial practice normally insured against and each of the Group Companies has at all times been adequately covered against accident, third party, public liability and other risks normally covered by insurance. All premiums due in respect of such policies of insurance have been paid in full and all the other material conditions of the said policies have been performed and observed. To the best knowledge of each of the Group Companies, nothing has been done or omitted to be done whereby any of the said policies has or may become void or voidable and none of the said policies is subject to any special or unusual terms or restrictions.

### **Litigation**

- 5.1 Each of the Group Companies is not engaged in (nor is any director in relation to the affairs of the Group Companies engaged in) any material legal proceedings (including litigation, arbitration and prosecution) (apart from debt collecting in the ordinary course of business) and no such proceedings are pending.
- 5.2 To the best knowledge of each of the Group Companies, each of the Group Companies is not the subject of any enforcement proceedings or process by any governmental, administrative or regulatory body.
- 5.3 Each of the Group Companies is solvent and no order has been made or resolution passed for the winding up of any of the Group Companies and there is no outstanding any petition for the winding up of any of the Group Companies or any receivership of the whole or any part of the undertaking and assets of any member of any of the Group Companies and there are no circumstances which would entitle any person to present such a petition or to appoint such receiver.
- 5.4 No material unsatisfied judgment, order or award is outstanding against any of the Group Companies and no distress or execution has been levied on, or other process commenced against, any asset of any of the Group Companies.
- 5.5 There is no material dispute with any revenue or official department in Hong Kong, the British Virgin Islands, the PRC or other relevant jurisdiction.
- 5.6 Each of the Group Companies has not committed nor is it liable for any criminal, illegal,

unlawful or unauthorised act or material breach of any obligation whether imposed by or pursuant to statute or contract.

- 5.7 Each of the Group Companies has sufficient records relating to past events during the years prior to the date of this Agreement to calculate the tax liability or relief which would arise on any disposal or realisation of any asset owned at the date of this Agreement.
- 5.8 No receiver has been appointed of the whole or any part of the assets or undertaking of any of the Group Companies.
- 5.9 No petition has been presented, no order has been made and no resolution has been passed for the winding-up or dissolution of any of the Group Companies; and each of the Group Companies has not stopped payment nor is insolvent or unable to pay its debts within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) or similar laws and regulations in the British Virgin Islands, the PRC or other relevant jurisdiction.