

EXECUTION COPY

DATED 28 JANUARY 2010

**POLYARD PETROLEUM INTERNATIONAL
GROUP LIMITED**
as an issuer

- and -

SILVER STAR ENTERPRISES HOLDINGS INC.
as an underwriter

UNDERWRITING AGREEMENT

relating to a rights issue of
2,704,000,000 Rights Share
of HK\$0.002 each in

Polyard Petroleum International Group Limited

at HK\$0.04 per Rights Share payable in full on acceptance
(in the proportion of one (1) Rights Share to every two (2)
Shares held by the Qualifying Shareholders)

HONG KONG

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UNDERWRITING AGREEMENT

THIS AGREEMENT is made the 28th day of January 2010

BETWEEN:

- (1) **POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED**, a company incorporated under the laws of the Cayman Islands and having its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong at Flat 2602, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (the "**Company**"); and
- (2) **SILVER STAR ENTERPRISES HOLDINGS INC.**, a company incorporated under the laws of the British Virgin Islands and having its registered office at Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands (the "**Underwriter**").

WHEREAS:

- (A) As at the date of this Agreement, the Company has an authorised capital of HK\$20,000,000 divided into 10,000,000,000 Shares (as defined below) of HK\$0.002 each, of which 5,408,000,000 Shares have been issued and are fully paid or credited as fully paid. All of the issued Shares are currently listed on the Stock Exchange (as defined below).
- (B) Save as disclosed below, the Company has no outstanding Options (as defined below), convertible securities, derivatives or warrants in issue which may confer any right to the holder thereof to subscribe for, convert or exchange into Shares as at the date of this Agreement:
 - (i) outstanding and exercisable convertible bonds in the aggregate principal amount of HK\$276,352,231.22 and convertible into 642,679,607 Shares at the conversion price of HK\$0.43 per Share (subject to adjustment);
 - (ii) outstanding and exercisable convertible bonds in the aggregate principal amount of HK\$120,000,000 and convertible into 2,500,000,000 Shares at the conversion price of HK\$0.048 per Share (subject to adjustment); and
 - (iii) outstanding and exercisable 884,500,000 non-listed warrants entitling the holders thereof to subscribe for 884,500,000 Shares at the subscription price of HK\$0.38 per warrant.
- (C) The Company proposes to raise fund by way of rights issue of a total of 2,704,000,000 Rights Shares (as defined below) for acceptance by the Qualifying Shareholders (as defined below) on the basis of one (1) Rights Share for every two (2) Share held on the Record Date (as defined below).
- (D) Application will be made by the Company within reasonable time to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Rights Shares (in their nil paid form and fully paid form).
- (E) As at the date of this Agreement, the Underwriter is the legal and beneficial owner of 1,333,000,000 Shares and is wholly-owned by Mr. Lam (as defined below). The Underwriter has agreed (i) to subscribe for 666,500,000 Rights Shares, representing approximately 24.65% of all the Rights Shares, which it is entitled under the Rights Issue

(as defined below) at the aggregate subscription price of HK\$26,660,000 which it will settle first by way of set-off against the loan due from the Company to the Underwriter and/or Mr. Lam on a dollar-to-dollar basis and the balance, if any, by cash, and (ii) to underwrite up to 2,037,500,000 Underwritten Shares (as defined below), representing approximately 75.35% of all the Rights Shares, and to settle its underwriting obligation by way of set-off against the loan due from the Company to the Underwriter and/or Mr. Lam on a dollar-to-dollar basis and the balance, if any, by cash, on the terms and subject to the conditions hereinafter appearing.

IT IS HEREBY AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions: In this Agreement, including its recitals and schedule(s), unless the context otherwise requires, the following expressions have the following meanings:

“Accounts”	in relation to each member of the Group, its audited accounts (including the profit and loss account, the balance sheet and notes to the accounts) for the year ended on the Accounts Date and, where consolidated accounts have been prepared, together with the audited consolidated accounts for the year ended on the Accounts Date;
“Accounts Date”	31 December 2008;
“Announcement”	the announcement to be made by the Company concerning, among other things, the Rights Issue;
“Associate(s)”	the meaning ascribed thereto in Chapters 1 and 14A of the Listing Rules;
“Board”	the board of Directors or a duly authorized committee thereof;
“Business Day”	a day on which banks in Hong Kong are open for general business other than a Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon;
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Circular”	the circular to Shareholders, which will be annexed thereto the Notice, proposed to be despatched to the Shareholders on or about the Circular Posting Date in the agreed form;
“Circular Documents”	the Circular and the proxy form for use at the Extraordinary General Meeting in the agreed form;
“Circular Posting Date”	Friday, 19 February 2010 or such other date as may be agreed between the Company and the Underwriter for the despatch of the Circular Documents;

“Companies Law”	Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company’s Legal Advisers”	Stevenson, Wong & Co. of 4th & 5th Floors, Central Tower, 28 Queen’s Road Central, Hong Kong;
“Directors”	the directors of the Company and the expression “Director” shall be construed accordingly;
“EAF”	an application form in the agreed form pursuant to which Qualifying Shareholders may apply to subscribe for additional Rights Shares over and above those to which they are entitled under the Rights Issue on the terms and conditions set out in the Prospectus Documents and “EAFs” shall be construed accordingly;
“Encumbrance”	all pledges, charges, liens, mortgages, security interests, pre-emption rights, options and any other encumbrances or third party rights or claims of any kind;
“Excluded Shareholders”	those Overseas Shareholders whom the Directors, after making relevant enquiry as required under the Listing Rules, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened on or about Monday, 8 March 2010 (subject to the Stock Exchange’s approval on the contents of the Circular) for the purpose of approving, if though fit, the resolution in relation to the Whitewash Waiver;
“Group”	the Company and its Subsidiaries and the expression “member(s) of the Group” shall be construed accordingly;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Shareholders”	those Shareholders other than the controlling shareholders, absence of which, the directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates, and such other persons who are required by the Stock Exchange or the SFC to abstain from voting and those Shareholders who are not interested in or are not involved in the Rights Issue and who will be entitled to vote at the Extraordinary General Meeting;

“Laws”	includes all laws, rules, regulations, guidelines, opinions, notices, circulars, orders, documents, decrees or rulings of any court, government or regulatory authority whether or not <i>ejusdem generis</i> with any of the foregoing (including, without limitation, the Stock Exchange);
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 23 March 2010 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares in the manner set out in the Prospectus;
“Latest Time for Termination”	4:00 p.m. on Friday, 26 March 2010, or such other time as may be agreed between the Company and the Underwriter, being the third (3rd) Business Day after (but excluding) the Latest Time for Acceptance;
“Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;
“Management Accounts”	in relation to each member of the Group, its unaudited management accounts (including the profit and loss account, the balance sheet and notes to the accounts) for the period commencing immediately after the Accounts Date and ending on 30 June 2009, and where consolidated accounts have been prepared, together with the consolidated accounts for the same period;
“Mr. Lam”	Mr. Lam Nam, holder of Hong Kong identity card no. P465784(9) of Flat A, 10th Floor, Kam Ling Building, 231 Nathan Road, Kowloon, Hong Kong;
“Notice”	the notice of the Extraordinary General Meeting contained in the Circular in the agreed form;
“Options”	the options granted by the Company pursuant to the pre-IPO share option scheme and the share option scheme of the Company adopted on 26 June 2002 respectively;
“Overseas Shareholder(s)”	Shareholders with registered address (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong;
“PAL”	means a renounceable provisional allotment letter to be issued in respect of the Rights Shares in the agreed form and “PALs” shall be construed accordingly;
“Parties”	the named parties to this Agreement and their respective successors and permitted assignees, and “Party” means each of them;
“Prospectus”	the prospectus to be issued by the Company in connection with the Rights Issue, the bulk-print proof of which to be in the agreed form;

“Prospectus Documents”	the Prospectus, the PAL and EAF;
“Prospectus Posting Date”	Tuesday, 9 March 2010, or such other date as the Underwriter may agree in writing with the Company;
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders;
“Rights Share(s)”	2,704,000,000 Shares proposed to be offered to the Qualifying Shareholders by way of Rights Issue for acceptance on the terms set out in this Agreement and in the Prospectus;
“Rights Issue”	the proposed offer by the Company by way of rights of the Rights Shares, on the basis of one Rights Share for every two Shares held by the Qualifying Shareholders on the Record Date, at the Subscription Price pursuant to this Agreement and the Prospectus and as more particularly described in the Announcement and the Prospectus;
“Rights Issue Period”	the period commencing from the Prospectus Posting Date to the Latest Time for Acceptance;
“Record Date”	Monday, 8 March 2010 or such other date as may be agreed between the Company and the Underwriter;
“Registrar”	Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong, the share registrar and transfer office of the Company in Hong Kong;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Settlement Date”	Friday, 26 March 2010, the date being the third (3rd) Business Day following (but excluding) the Latest Time for Acceptance or such other date as the Company and the Underwriter may agree;
“Shares”	ordinary shares of HK\$0.002 each in the share capital of the Company;
“Shareholders”	holders of Shares;
“Shortfall Underwritten Shares”	those, if any, Underwritten Shares not accepted by Shareholders or for which duly completed PALs and EAFs (accompanied by cheques or banker’s cashier orders or other remittances 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 the Latest Time for Acceptance;

“Specified Event”	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 untrue or incorrect in any material respect;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the issue price of HK\$0.04 per Rights Share at which Rights Shares are proposed to be offered for acceptance;
“Subsidiary”	has the same meaning ascribed thereto in section 2 of the Companies Ordinance;
“Substantial Shareholder”	has the same meaning ascribed thereto in Chapter 1 of the Listing Rules and the expression “Substantial Shareholders” shall be construed accordingly;
“Underwritten Shares”	all the Rights Shares after deducting the Rights Shares allotted to any Qualifying Shareholders on an assured basis which have been undertaken to be accepted by them;
“Warranties”	the warranties, representations and undertakings set out in Clause 12 and <u>the Schedule</u> ;
“Whitewash Waiver”	a waiver from the Executive pursuant to note 1 of the Notes on dispensations from Rule 26 of the Code on Takeovers and Mergers in respect of the obligations of the Underwriter to make a mandatory offer for all the securities of the Company not already owned by the Underwriter and the parties acting in concert with them which would otherwise arise as a result of the Underwriter taking up of the Underwritten Shares under the Rights Issue;
“Verification Notes”	the verification notes relating to the Prospectus to be prepared by the Company’s Legal Advisers in the agreed form;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

1.2 Interpretation: In this Agreement, including its recitals and schedule(s), unless otherwise defined or unless the context or subject matter otherwise requires:

- (A) any reference to parties to this Agreement shall include their respective permitted assignees and successors;
- (B) any reference to Recitals, Clauses or Schedule(s) is a reference to the recitals and clauses of, and the schedule(s) to, this Agreement;
- (C) the Recitals and Schedule(s) form part of this Agreement and shall be construed and shall have the same full force and effect as if expressly set out in the body of this Agreement;

- (D) words and phrases defined in the Companies Ordinance shall have the same meanings in this Agreement;
- (E) any reference to a statutory provision shall include a reference to that provision as amended or re-enacted from time to time;
- (F) headings are inserted for convenience only and shall be ignored in construing this Agreement;
- (G) the singular includes the plural and *vice versa*, words importing gender or the neuter include both genders and the neuter;
- (H) any reference to dates or times is a reference to a date or time in Hong Kong;
- (I) any reference to persons shall include individuals, bodies corporate (wherever incorporated), unincorporated associations, all forms of governmental body or authority, or any association or partnership (whether or not having a separate legal personality) of two or more of the foregoing;
- (J) any reference to this Agreement or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, such other agreement or document as it may have been, or may be, amended, varied, novated or supplemented;
- (K) any reference to a document being "in the agreed terms" means that documents in the terms agreed between the Parties and, for the purpose of identification, signed by them or on their behalf, or such document in such other terms as may be agreed in writing by the Parties from time to time in substitution for or in variation of such document;
- (L) the rule known as the *ejusdem generis* rule shall not apply. Accordingly general words introduced or followed by the word "other" or "including" or "in particular" shall not be given a restrictive meaning because they are followed by particular examples intended to fall within the meaning of the general words; and
- (M) all warranties, representations, indemnities, covenants, agreements and obligations given or entered into by more than one person are given or entered into jointly and severally.

2. CONDITIONS PRECEDENT

- 2.1 The obligations of the Underwriter under this Agreement are conditional on the following conditions precedent being fulfilled or so far as the conditions are capable of being waived by the Underwriter on or before the Latest Time for Acceptance:
- (A) the passing of ordinary resolutions by the Independent Shareholders approving the Whitewash Waiver at the Extraordinary General Meeting;
 - (B) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
 - (C) the Listing Committee of the Stock Exchange granting or agreeing to grant in principle (subject to allotment of Rights Shares) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares (in their nil paid form and fully paid form);
 - (D) the posting of the Prospectus Documents to Qualifying Shareholders on or before

the Prospectus Posting Date;

- (E) compliance with and performance of all undertakings and obligations of the Company under the provisions of this Agreement; and
 - (F) trading of Shares on the Stock Exchange not being suspended for more than ten (10) consecutive Business Days at any time prior to the Latest Time for Acceptance (excluding any suspension in connection with the clearance of the Announcement, the Circular Documents or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue).
- 2.2 The Company shall use all reasonable endeavours to procure the fulfilment of the conditions set out in Clauses 2.1(A) to 2.1(F) by the Latest Time for Acceptance 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 terms of this Agreement.
- 2.3 The Company shall make an application to the Stock Exchange in accordance with the Listing Rules for the listing of and permission to deal in all the Rights Shares (nil paid and fully paid) on the Stock Exchange and shall undertake that it shall do or procure to be done all such acts and things and execute and, as appropriate, furnish all such documents as shall be necessary or requisite for the purposes of or in connection with such application.
- 2.4 If the conditions referred to in Clauses 2.1(A) to 2.1(F) are not satisfied and/or waived in whole or in part by the Underwriter by the dates stipulated therein, this Agreement shall terminate (save in respect of any provisions of Clauses 1, 9, 14, 15, 16, 17 and 18 and any rights or obligations which may accrue under this Agreement prior to such termination) and no Party will have any claim against any other Party for costs, damages, compensation or otherwise **PROVIDED THAT** save for the conditions as referred to in Clause 2.1(F), all the conditions as set out in Clause 2.1 cannot be waived.

3. THE RIGHTS ISSUE

Subject to fulfillment or waiver of the conditions set out in Clause 2, the Company shall offer the Rights Shares to the Qualifying Shareholders at the Subscription Price, in the proportion of one (1) Rights Share for every two (2) Shares held on the Record Date, by posting the Prospectus Documents to such holders on the basis that payment for the Rights Shares shall be made in full on application not later than the Latest Time for Acceptance.

4. APPOINTMENT OF THE UNDERWRITER

- 4.1 Subject to the provisions of this Agreement, the Company hereby appoints the Underwriter as underwriter to the exclusion of all others and the Underwriter, relying on the representations, warranties and undertakings herein contained and subject to the conditions as hereinafter mentioned, agrees to act as underwriter for the Company to subscribe for the Shortfall Underwritten Shares at the Subscription Price (together with such brokerage, SFC transaction levy, Stock Exchange trading fee and SFC investor compensation levy payable by the subscribers).
- 4.2 Notwithstanding Clause 4.1, at any time the Underwriter may elect that some or all of the Shortfall Underwritten Shares be subscribed by itself and/or its nominee(s) as principal from the Company at the Subscription Price.

5. ASSURED ALLOTMENT OF RIGHTS SHARES

- 5.1 Subject to the conditions specified in Clause 2.1(A) being fulfilled on or before the Prospectus Posting Date:
- (A) the Company shall procure that the Rights Shares are provisionally allotted by a resolution of the Board on the terms set out in the Prospectus Documents to the Qualifying Shareholders; and in the case of Rights Shares (excluding fractional entitlements) which would have been allotted to Excluded Shareholders had they been Qualifying Shareholders, such Rights Shares shall be dealt with in accordance with Clause 6.1;
 - (B) the Company shall, following the issue of a certificate of authorisation of registration under section 342C of the Companies Ordinance, procure a copy of the Prospectus Documents (duly signed by or on behalf of each Director in accordance with section 342C of the Companies Ordinance) to be delivered to the Registrar of Companies in Hong Kong for registration together with any other documents required by applicable law or regulation to be annexed thereto;
 - (C) the Company shall procure a copy of the Prospectus Documents to be delivered to the Registrar of Companies in the Cayman Islands for filing, if applicable;
 - (D) the Company shall deliver to the Underwriter certified copies of the resolutions referred to in Clauses 2.1(A) and 5.1(A); and
 - (E) the Company shall (subject to compliance by it with the provisions of Clauses 5.1(B) and 5.1(C) and subject as hereinafter provided) procure the posting of the Prospectus Documents to the Qualifying Shareholders.
- 5.2 Prior to or shortly after the despatch of the Prospectus Documents pursuant to Clause 5.1E, the Company shall deliver to the Underwriter:
- (A) the Verification Notes relating to the Prospectus duly signed by or on behalf of the Directors; and
 - (B) true copies of the letters from the auditors of the Company addressed to the Company reporting on the working capital of the Group, confirming the indebtedness statement and other financial information contained in the Prospectus and consenting to the issue of the Prospectus with the inclusion of their names and references thereto in the form and context in which they are included.
- 5.3 The Rights Shares, when fully paid, shall rank *pari passu* in all respects with the Shares in issue on the Record Date, including the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Rights Shares.
- 5.4 The Rights Shares will be allotted upon the terms and subject to the conditions set out in the memorandum and articles of association of the Company and in the Prospectus Documents.
- 5.5 The Company shall make available for subscription by the Qualifying Shareholders by means of EAFs:
- (A) any Rights Share for which PAL (accompanied by cheques or banker's cashier orders or other remittances for the full amount payable in connection with the relevant applications which are honoured on first or, at the discretion of the Company, subsequent presentation and otherwise in compliance with the

procedure for acceptance as described in the Prospectus Documents) have not been lodged prior to the Latest Time for Acceptance; and

(B) any Rights Share referred to in Clause 6.1 which have not been sold as provided therein.

5.6 If EAFs have been lodged in accordance with the terms of the Prospectus Documents, together with cheques or banker's cashier orders or other remittances for the full amount payable in connection with the relevant applications which are honoured on first or, at the discretion of the Company, subsequent presentation, then the Company will accept such applications **PROVIDED THAT** the Company shall only be obliged to accept applications for the aggregate number of the Underwritten Shares which shall not have been accepted and, if that aggregate number is less than the number of Rights Shares applied for under the EAFs, the Company shall be entitled to determine on a fair basis (in accordance with the requirements of the Stock Exchange, if any) which applications are to be accepted and which are to be rejected, after (to the extent reasonably practicable) consultation with the Underwriter.

6. SALE OF CERTAIN RIGHTS SHARES

6.1 No later than the close of business on the Prospectus Posting Date, the Company shall inform the Underwriter of the number of Rights Shares which are, pursuant to Clause 5.1(A), to be dealt with under this Clause 6. Thereafter, the Company shall use its reasonable endeavours to procure that all or as many as possible of such Rights Shares which are within the ambit of Clause 5.1(A) are sold on the Stock Exchange nil paid at such a premium in excess of the expenses of sale as may reasonably be obtained as soon as reasonably practicable after the commencement of dealings in the Rights Shares (nil paid) but before the latest time for dealings in nil paid Rights Shares specified in the Prospectus. The Company shall notify the Underwriter from time to time of the number of Rights Shares sold pursuant to this Clause 6.1.

6.2 The Company will distribute to the Excluded Shareholders the net proceeds of such sale of the Rights Shares referred to in Clause 5.1(A) (pro rata to their entitlement to Rights Shares had they been Qualifying Shareholders) except that a sum due to any Excluded Shareholder of less than \$100 will not be distributed but will be retained, along with the proceeds of the sale of fractional entitlements, by the Company for its own use and benefit.

6.3 If the Rights Shares referred to in Clause 0 have not been sold as aforesaid before the Latest Time for Acceptance they will be available first for satisfaction of EAFs and second will be dealt with in accordance with Clauses 7 and 8.

7. UNDERWRITER'S OBLIGATIONS

7.1 The Underwriter's obligations under this Clause 7 shall cease if, before the Latest Time for Acceptance, PALs and EAFs in respect of all the Rights Shares have been lodged for acceptance in accordance with the terms of the Prospectus Documents, together with cheques or banker's cashier orders or other remittances for the full amount payable thereunder which are honoured on first or, at the discretion of the Company, subsequent presentation (the Rights Shares comprised in PALs and EAFs which are so lodged together with such remittances are herein referred to as having been "accepted" and cognate expressions shall be construed accordingly).

7.2 In the event that by the Latest Time for Acceptance any of the Rights Shares have not been accepted, the Company shall as soon as practicable thereafter and in any event

before 2:00 p.m. on the second Business Day following (but excluding) the Latest Time for Acceptance notify the Underwriter in writing of the number of Shortfall Underwritten Shares, and the Underwriter shall at the Subscription Price subscribe for or procure subscription on the terms of the Prospectus Documents (so far as the same are applicable) for all the Shortfall Underwritten Shares.

- 7.3 The Underwriter shall, not later than 4:00 p.m. on the Settlement Date, pay the Subscription Price in respect of the Shortfall Underwritten Shares for which it is obliged to subscribe in accordance with this Clause 7 first by way of set-off against the loan due from the Company to the Underwriter and/or Mr. Lam on a dollar-to-dollar basis and the balance, if any, by way of cash. The Company shall arrange for delivery to the Underwriter of share certificates in respect of the fully paid Shortfall Underwritten Shares which the Underwriter has subscribed for in such denominations as the Underwriter may reasonably require at the same time as share certificates are despatched generally to persons who have accepted 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, evidence to the satisfaction of the Underwriter that such documents and instructions required to effect the crediting of such Rights Shares have been signed or given, as the case may be.

8. LIABILITIES OF THE UNDERWRITER

- 8.1 Any transaction carried out by the Underwriter pursuant to Clause 7 (other than the obligation to subscribe for or procure subscription for any Shortfall Underwritten Shares pursuant to Clause 7.2 and the obligations contained in this Clause 8.1) 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 7) shall not be responsible for any loss or damage to any persons arising from any such transaction or for any alleged insufficiency of any dealing price at which any of the Rights Shares may be sold by any such person or for the timing of any such transaction, except where such loss or damage arises from the negligence or default of the Underwriter.
- 8.2 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 or any Director 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 the Underwriter shall not make or purport to make on behalf of the Company any representation or warranty not contained in the Prospectus Documents.
- 8.3 If the Underwriter defaults in complying with its obligations under Clause 7.2, the Company is hereby irrevocably authorized 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 Clauses 7.2 and 7.3), for the Shortfall Underwritten Shares and to allot and issue the same to the Underwriter upon such terms and conditions. In such event, the Underwriter shall settle the aggregate Subscription Price in respect of the Shortfall Underwritten Shares for which it is obliged to subscribe in accordance with Clause 7 first by way of set-off against the loan due from the Company to the Underwriter and/or Mr. Lam on a dollar-to-dollar basis and the balance, if any, by way of cash against delivery by the Company to the Underwriter of such documentary evidence of entitlement to the relevant Shortfall Underwritten Shares as is reasonably satisfactory to the Underwriter.

9. FEES AND EXPENSES

The Company shall be liable for the costs and expenses of its own legal and other professional advisers, the cost of printing and distributing the Announcement, the Circular Documents and the Prospectus Documents and all other out-of-pocket expenses incurred in connection with the Rights Issue.

10. EXCLUDED SHAREHOLDERS AND FRACTIONAL ENTITLEMENTS

- 10.1 The Company shall, on or within two (2) Business Days after the Prospectus Documents are posted to Shareholders in accordance with Clause 5.1(E), post copies of a letter to the Excluded Shareholders, in such form as may be agreed between the Company and the Underwriter, explaining the circumstances in which they are not permitted to participate in the Rights Issue, and enclosing a copy of the Prospectus to them for information only, but will not send the PALs and EAFs to the Excluded Shareholders.
- 10.2 No fractional entitlements to the Rights Shares will be allotted to the Shareholders. All such fractional entitlements, if any, will be aggregated and shall be dealt with as if the same are Rights Shares not taken up in accordance with Clause 7.2.

11. ANNOUNCEMENT AND DESPATCH OF CIRCULAR

- 11.1 Save as expressly required by this Agreement or as otherwise required by the Stock Exchange or the SFC (as the case may be), no announcement, circular, prospectus or communication to Shareholders or the Stock Exchange 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 of this Agreement and, if all the Rights Shares are accepted, the Latest Time for Acceptance or, in any other cases, the time at which the Underwriter is obliged to make payment under Clause 6, without prior written approval of the Company and the Underwriter as to the content, timing and manner or despatch thereof.
- 11.2 Subject to the approval by the Stock Exchange and SFC, the Company shall arrange for the Announcement to be published in the press in English and in Chinese as soon as practicable following the signing of this Agreement.
- 11.3 The Company shall use its reasonable endeavours to procure the posting of the Circular Documents to Shareholders on or about 4 January 2010. The Company shall deliver to the Underwriter a certified true copy of the resolution of the Board approving the Circular Documents and authorizing the despatch thereof as soon as reasonably practicable and in any event within three (3) Business Days from the despatch of the Circular Documents.

12. UNDERTAKINGS FROM THE UNDERWRITER

- 12.1 The Underwriter hereby warrants and undertakes to the Company that:
- (A) it shall not dispose of the 1,333,000,000 Shares owned by it from the date of this Agreement up to the Latest Time for Acceptance; and
 - (B) it shall accept or procure to accept its assured allotments of 666,500,000 Rights Shares under the Rights Issue in respect of the 1,333,000,000 Shares held by it as at the date of this Agreement at the aggregate subscription price of HK\$26,660,000 which it shall settle by way of set-off against the loan due from the Company to The Underwriter and/or Mr. Lam on a dollar-to-dollar basis and the balance, if any, by way of cash.

- 12.2 The Underwriter hereby further warrants and undertakes to the Company that it shall:
- (A) procure Mr. Lam not to exercise any of the convertible rights attached to the outstanding convertible bonds in the aggregate principal amount of HK\$276,352,231.22 and convertible into 642,679,607 Shares at the conversion price of HK\$0.43 per Share (subject to adjustment) and such outstanding convertible bonds shall remain registered in his name and beneficially owned by him from the date of this Agreement up to and including the Record Date; and
 - (B) procure China International Mining Company Limited, a company wholly-owned by Mr. Lam, not to exercise any of the convertible rights attached to the outstanding convertible bonds in the aggregate principal amount of HK\$120,000,000 and convertible into 2,500,000,000 Shares at the conversion price of HK\$0.048 per Share (subject to adjustment) and such outstanding convertible bonds shall remain registered in its name and beneficially owned by it from the date of this Agreement up to and including the Record Date.

13. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS OF THE COMPANY

- 13.1 In consideration of the Underwriter entering into this Agreement and agreeing to perform its obligations hereunder, the Company hereby gives the Warranties to the Underwriter as set out in the Schedule.
- 13.2 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, and, if this Agreement is not rescinded or terminated pursuant to Clause 15, all the Warranties shall be deemed to have been repeated as at the Latest Time for Termination with reference to the facts and circumstances then subsisting.
- 13.3 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.
- 13.4 The foregoing provisions of this Clause 13 will continue in full force and effect notwithstanding the completion of the Rights Issue.

14. INDEMNITIES

- 14.1 The Company shall indemnify on demand and hold harmless the Underwriter and its advisers and agents (collectively, the **“Indemnified Parties”** and individually, **“Indemnified Party”**) against any and all losses, costs, expenses, claims, actions, liabilities, proceedings or damages whatsoever arising from or in respect of any breach by the Company of any provisions of this Agreement, or any claim which may be brought against the Underwriter arising out of or in connection with 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 hereunder), or by subscriber of any of the Rights 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:
- (A) the issue, circulation or distribution of the Announcement, Circular Documents and Prospectus Documents;
 - (B) the Circular Documents and the Prospectus Documents not containing all the information required by Laws or pursuant to the rules of the Stock Exchange or other relevant authority or body to be stated therein or any statement, estimate, forecast or expression of opinion, intention or expectation contained in the

Prospectus Documents being untrue, incomplete, inaccurate or misleading in any material respect and any allegation thereof;

- (C) any allegation or the fact that the Prospectus Documents does not contain all information material in the context of the Rights Issue or otherwise required to be stated therein by the applicable laws and regulations;
- (D) any material breach of any of the Warranties;
- (E) any breach of the laws or regulations of any country arising from the allotment or issue of the Rights Shares or the distribution of the Prospectus Documents;
- (F) the Prospectus not containing or allegedly not containing:
 - (I) all the information required to be stated therein or necessary to enable an informed assessment to be made of the assets, liabilities, earnings, financial position and prospects of the Company or on the ground that any statement, estimate or forecast contained in the Prospectus is untrue, inaccurate or misleading in any material respect or constitutes a material misrepresentation; or
 - (II) all the information as may be required for the purpose of complying with any requirement of law or the Stock Exchange in connection with the Rights Issue; or
- (G) the allotment or issue of the Rights 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 14 **PROVIDED THAT** this indemnity shall not relate to any claims or proceedings costs or expenses arising from any negligent act, omission or default on the part of the Underwriter.

- 14.2 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 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.
- 14.3 If the Underwriter becomes aware of any claim relevant for the purpose of Clause 14.1, it shall 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 its satisfaction against all losses and expenses to which it might thereby render itself liable to suffer and incur including without limitation, legal expenses properly incurred by its legal advisers.
- 14.4 The indemnities given by the Company under this Clause 14 shall continue in full force and effect notwithstanding the completion of the Rights Issue.

15. RESCISSION AND TERMINATION

- 15.1 Notwithstanding anything contained in this Agreement, if at any time prior to the Latest Time for Termination:
 - (A) the success of the Rights Issue would be materially and adversely affected by the development, occurrence or enforcement of:
 - (I) any new law or regulation or any change in existing laws or regulations

which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the financial position of the Group as a whole; or

- (II) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Rights Issue; or
 - (III) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Rights Issue; or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
 - (IV) any suspension of dealings in the Shares for any period longer than ten (10) consecutive Business Days after the date of this Agreement (other than as a result of the Rights Issue); or
 - (V) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Latest Time for Termination; or
- (B) any breach of any of the Warranties by the Company comes to the knowledge of the Underwriter; or
- (C) any event occurs or any matter arises 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 such Warranties untrue or incorrect in any material respect in such a manner as would in the reasonable opinion of the Underwriter materially and adversely affect the financial position or business of the Group as a whole; or
- (D) there is any such adverse change in the general affairs, management, business, stockholders' equity or in the financial or trading position of the Group as a whole which in the reasonable opinion of the Underwriter is materially adverse to the success of the Rights Issue, or
- (E) there is any change in the composition of the Board which in the reasonable opinion of the Underwriter may affect the management and general affairs of the Company; or
- (F) any of the Company, its Subsidiaries or any Director of the Company is involved in any material litigation proceedings from the date of this Agreement to the Latest Time for Acceptance,

then and in any such case, the Underwriter may terminate this Agreement without liability to the Company by giving notice in writing to the Company, served prior to the Latest Time for Termination.

15.2 In the event that the Underwriter terminates this Agreement in accordance with Clause 15.1, all obligations of each of the Parties under this Agreement shall cease and no Party shall have any claim against any other Party in respect of any matter arising out of or in connection with this Agreement except for:

- (A) any antecedent breach of any obligation under this Agreement; and
- (B) liabilities under Clauses 9 and 14.

15.3 If this Agreement is terminated by the Underwriter at such time before the Latest Time for

Termination but after the Underwriter has paid or procured payment to the Company of the aggregate Subscription Price in respect of the Shortfall Underwritten Shares, 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 15.1, remit to the Underwriter such amount of aggregate Subscription Price which it has received from the Underwriter.

16. NOTICES

16.1 Any notice to be given under this Agreement shall be in English and made in writing and may be delivered personally or sent by prepaid letter (airmail if overseas) or facsimile transmission. A notice shall be sent to the addressee (marked for the attention of the appropriate person) at its address or facsimile number set out below or to such other address or facsimile number as may be notified by such addressee to the other Party from time to time for the purposes of this Clause.

16.2 Notices shall be given as follows:

(A) to the Company:

address : Flat 2602, China Merchants Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong

facsimile : (852) 2587 8884

marked for the : The Board of Directors
attention of

(B) to the Underwriter:

address : Room A, 10/F, Kam Ling Building, 231 Nathan Road,
Kowloon, Hong Kong

facsimile : (852) 2119 0505

marked for the : Mr. Lam Nam
attention of

16.3 A notice shall be deemed to have been served:

(A) if personally delivered, at the time of delivery;

(B) if posted, if to an addressee within the same country, two (2) working days (or if to an addressee in a different country, five (5) working days, when it shall be sent airmail) after the envelope containing the notice was delivered into the custody of the postal authorities;

(C) if communicated by facsimile transmission, at the time of transmission.

PROVIDED THAT where, in the case of delivery by hand or transmission by facsimile, such delivery or transmission occurs after 4 p.m. (local time) on a working day or on a day which is not a working day in the place of receipt, service shall be deemed to occur at 9 a.m. (local time) on the next following working day in such place; and for this purpose, in this Clause "working day" means a day on which banks are open for business in the ordinary course, other than Saturdays and Sundays.

16.4 In proving service, it shall be sufficient to prove that personal delivery was made or that the envelope containing the notice was properly addressed and delivered into the custody of postal authorities authorized to accept the same, or if sent by facsimile, by

receipt of automatic confirmation of transmission or answerback **PROVIDED THAT** a notice shall not be deemed to be served if communicated by facsimile transmission which is not legible in all material respects; such transmission shall be deemed to have been so legible if a request for retransmission is not made before the end of the next working day following the transmission.

17. GENERAL PROVISIONS

- 17.1 Further Assurance: Each Party agrees to perform (or procure the performance of) all further acts and things, and execute and deliver (or procure the execution and delivery of) such further documents, as may be required by law or as may be necessary or reasonably desirable to implement and/or give effect to this Agreement and the transactions contemplated by it.
- 17.2 Entire Agreement: This Agreement (together with any document described in or expressed to be entered into in connection with this Agreement) constitutes the entire agreement between the Parties in relation to the transaction(s) referred to in it or in them and supersedes any previous agreement between the Parties in relation to such transaction(s). It is agreed that:
- (A) no Party has entered into this Agreement in reliance upon any representation, warranty or undertaking of any other Party which is not expressly set out or referred to in this Agreement; and
 - (B) except for any breach of an express representation or warranty under this Agreement, no Party shall have any claim or remedy under this Agreement in respect of misrepresentation or untrue statement made by any other Party, whether negligent or otherwise, and whether made prior to or after this Agreement, **PROVIDED THAT** this clause shall not exclude liability for fraudulent misrepresentation.
- 17.3 Remedies Cumulative: Any right, power or remedy expressly conferred upon any Party under this Agreement shall be in addition to, not exclusive of, and without prejudice to all rights, powers and remedies which would, in the absence of express provision, be available to it; and may be exercised as often as such Party considers appropriate.
- 17.4 Waivers: No failure, relaxation, forbearance, indulgence or delay of any Party in exercising any right or remedy provided by law or under this Agreement shall affect the ability of that Party subsequently to exercise such right or remedy or to pursue any other rights or remedies, nor shall such failure or delay constitute a waiver or variation of that or any other right or remedy. No single or partial exercise of any such right or remedy shall preclude any other or further exercise of it or the exercise of any other right or remedy.
- 17.5 Severability: The Parties intend that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws applied in each jurisdiction in which enforcement is sought. If any particular provision or part of this Agreement shall be held to be invalid or unenforceable, then such provision shall (so far as invalid or unenforceable) be given no effect and shall be deemed not to be included in this Agreement but without invalidating any of the remaining provisions of this Agreement. The Parties shall use all reasonable endeavours to replace the invalid or unenforceable provisions by a valid and enforceable substitute provision the effect of which is as close as possible to the intended effect of the invalid or unenforceable provision.
- 17.6 Variation: No variation of any of the terms of this Agreement (or of any document described in or expressed to be entered into in connection with this Agreement) shall be effective unless such variation is made in writing and signed by or on behalf of each of

the Parties. The expression "Variation" shall include any variation, supplement, deletion or replacement however effected.

- 17.7 Counterparts: This Agreement may be executed in any number of counterparts all of which, taken together, shall constitute one and the same agreement. Any Party may enter into this Agreement by executing any such counterpart.
- 17.8 Punctual Performance: Time shall be of the essence of this Agreement.

18. GOVERNING LAW AND JURISDICTION

- 18.1 This Agreement (together with all documents referred to in it) shall be governed by and construed and take effect in accordance with the laws of Hong Kong (which each of the Parties considers to be suitable to govern the international commercial transactions contemplated by the agreement). Each of the Parties irrevocably submits to the non-exclusive jurisdiction of the courts of Hong Kong for the determination of any question, dispute, suit, action or proceedings arising out of or in connection with this Agreement.
- 18.2 Jurisdiction: With respect to any question, dispute, suit, action or proceedings arising out of or in connection with this Agreement ("**Proceedings**"), each party irrevocably:
- (A) submits to the non-exclusive jurisdiction of the courts of Hong Kong; and
 - (B) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.
- 18.3 Nothing in this Agreement precludes either party from bring Proceedings in any other jurisdiction nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.
- 18.4 Service of Process: The Underwriter hereby irrevocably appoints China International Mining Company Limited of Room A, 10/F, Kam Ling Building, 231 Nathan Road, Kowloon, Hong Kong to receive, for it and on its behalf, service of process in any Proceedings. The Underwriter agrees that any such legal process shall be sufficiently served on it if delivered to China International Mining Company Limited at its address specified in this Clause or at its registered office for the time being in Hong Kong. If for any reason any party's process agent is unable to act as such, such party shall promptly notify the other party or parties and forthwith appoint a substitute process agent acceptable to the other party or parties. Without affecting the right of any party to serve process in any other way permitted by law, the parties irrevocably consent to service of process given in the manner provided for notices in Clause 15.
- 18.5 Each Party agrees that any such legal process shall be sufficiently served on it if delivered to its process agent at its address specified in this Clause or at the process agent's registered office for the time being in Hong Kong. If for any reason any party's process agent is unable to act as such, such party shall promptly notify the other party or parties and forthwith appoint a substitute process agent acceptable to the other party or parties. Without affecting the right of any party to serve process in any other way permitted by law, the parties irrevocably consent to service of process given in the manner provided for notices in Clause 15.

THE SCHEDULE

Representations, Warranties and Undertakings of the Company

All references in this Schedule, other than paragraph 2, shall also be read and construed as references to the Company and each of its Subsidiaries (insofar as it is applicable).

1. ACCURACY AND ADEQUACY OF INFORMATION

- 1.1 All facts stated in Recitals (A) to (E) of this Agreement are true and accurate in all material respect.
- 1.2 All facts contained or to be contained in the Announcement, the Circular Documents or in the Prospectus Documents (including in particular, the sections headed "Reasons for the Rights Issue" and "Use of Proceeds") 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 (including, in particular, the section headed "Reasons for the Rights Issue" and "Use of Proceeds") are and will be fair and made after due and careful consideration.
- 1.3 There will be no information not disclosed in the Prospectus Documents (i) the omission of which makes any statement therein misleading or which, in the context of issues of the Rights Shares, might be material for disclosure therein or (ii) 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 Company and of the rights attaching to the Rights Shares.
- 1.4 The Circular Documents and Prospectus Documents shall contain all information and particulars in the context of the Rights Issue required by, and shall be in compliance with the provisions of the Companies Ordinance, any other applicable legislation or governmental regulations (both in Hong Kong and the Cayman Islands), the Listing Rules and with all other requirements of the Stock Exchange and the SFC 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.
- 1.5 The statements, forecasts, estimates and expressions of opinion, if any, to be contained in the Announcement, Circular or the Prospectus have been and will at the respective dates of issue thereof be made after due and proper consideration, and will at the respective dates of issue thereof be fair and honest and represent reasonable expectations based on facts known to the Company and/or any of the Directors.
- 1.6 All information necessary for the purpose of, or in the course of preparation of, the Announcement, the Circular 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 will be so disclosed or made available to the Underwriter or its legal adviser (if any) 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.

2. CAPACITY

The obligations of the Company under this Agreement constitute legal valid and binding obligations of the Company enforceable in accordance with the terms herein.

3. COMPLIANCE WITH LEGAL REQUIREMENTS

3.1 Constitution of the Company

The copy of the constitutional documents of the Company given to the Underwriter is true and complete in all respects and has embodied in it or annexed to it a copy of every such resolution and agreement required by laws to be annexed to it and the Company has at all times carried on its business and affairs in all respects in accordance with its constitutional documents and all such resolutions and agreements.

3.2 Statutory Compliance

- (A) The Company was a duly incorporated limited liability company validly existing under the laws of its place of incorporation and has the corporate powers and authorities to carry on its business and to own and hold the assets used therewith. The Company has complied with the provisions of all applicable laws, regulations (and all order notices and directions made thereunder) and all applicable codes or practices. All returns, particulars, resolutions and other documents required to be filed with or delivered to the registrar of companies or to any other authority whatsoever by the Company have been correctly and properly prepared and so filed or delivered;
- (B) The statutory books and minute books of the Company have been properly written up and the Company has not received any application or request for rectification of the register and all issues of shares, debentures or other securities thereof; and
- (C) The Company and its officers (in their capacity as such) have complied in all material respects with all relevant statutes in Hong Kong and the Cayman Islands, where the failure to do so would have a material adverse effect on the Company, including (but without limitation) statutes relating to companies and securities, exchange controls, borrowing and lending controls, pollution, real property, taxation and prevention of corruption.

4. CAPITAL STRUCTURE

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

4.2 Other related business

Save as disclosed in the Accounts, the Company:

- (A) is not and has not agreed to become the holder or beneficial owner of any class of any shares, debentures or other securities of any other company (whether incorporated) other than the Subsidiaries;
- (B) is not and has not been or has not agreed to become a Subsidiary of any other company or under the control of any group of companies or consortium; and
- (C) is not and has not at any time been and has not agreed to become a member of any partnership, joint venture, consortium or other unincorporated association.

5. ACCOUNTS

5.1 General

The Accounts:

- (A) were prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Companies Ordinance and all other applicable legislation, and are complete and accurate and show a true and fair view of the state of affairs of the Group as at, and profits and loss of the Group for the period ended on the Accounts Date, are prepared on a basis consistent in all respects with the accounting policies adopted by the Company for the financial year immediately preceding the financial year ended on the Accounts Date and are all true and accurate in all material respects;
- (B) disclose a true and fair view of the assets and liabilities of the Group at the Accounts Date and of its profits and loss for the financial year ended on that date;
- (C) contain full provision or reserve for bad and doubtful debts, obsolescent or slow moving stocks and for depreciation on fixed assets, which provision or reserve was when made and is now adequate;
- (D) contain a note of all capital commitments of the Company at the Accounts Date, which note was when made and is now adequate, fair and not misleading; and
- (E) contain full provisions or reserves (as appropriate) for all Taxation, including deferred taxation sufficient provisions being made in a deferred taxation account for any tax on chargeable gains and balancing charges that would arise on the sale of all fixed assets at the values attributed to them in the Accounts.

5.2 Liabilities

As at the Accounts Date, the Company had no liabilities known, actual or contingent (including contingent liabilities to customers and contingent liabilities for Taxation) which were not disclosed, noted or provided for in the Accounts.

5.3 Books of account

All accounts, books, ledgers, financial and other necessary records of whatsoever kind of the Company (including all invoices and other records required for tax):

- (A) have been fully, properly accurately maintained, are in the possession of the Company and contain true and accurate records of all matters including those required to be entered in them by applicable laws and no notice or allegation that any of the same is incorrect or should be rectified has been received;
- (B) do not contain or reflect any material inaccuracies or discrepancies;
- (C) give and reflect a true and fair view of the matters which ought to appear in them and in particular of the financial, contractual and trading position of the Company and of its plant and machinery, fixed and current assets and liabilities (actual and contingent), debtors and creditors and stock-in-trade and work-in-progress; and
- (D) contain accurate information in accordance with generally accepted accounting principles in Hong Kong relating to all transactions to which the Company has been a party and the Accounts do not overstate the value of any assets or understate any liability of the Company at the Accounts Date.

5.4 Accounts Receivable

All of the accounts receivable shown on the Accounts have and all of its receivables as of

the Latest Time for Termination will have arisen out of bona fide transactions in its ordinary course of business and have been collected or are good and collectible in the aggregate recorded amounts thereof (less the provision for doubtful accounts also appearing in the Accounts and net of returns and payment discounts allowable by its policies) and can reasonably be anticipated to be paid in full without outside collection efforts within ninety (90) days of the due date.

5.5 Investment in Securities

The investment in securities of the Company for the year ended on the Accounts Date as shown by the Accounts have not been affected to a material extent by inconsistencies of accounting practices by transactions entered into otherwise than on normal commercial terms or by any other factors rendering such profits for all or any of such periods exceptionally high or low.

5.6 Depreciation

Depreciation of the fixed assets of the Group has been made at a rate sufficient to write down the value of such assets to nil not later than the end of their useful working lives and no fixed asset has attributed to it a value exceeding the current market value thereof at the Accounts Date.

5.7 Taxation

(A) The returns for Taxation purposes, which ought to have been made by or in respect of each member of 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 such dispute which is material 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.

(B) All taxes which the Company is liable to pay prior to the Latest Time for Termination has been or will be paid prior to the Latest Time for Termination. There are no liens for taxes upon its assets. The Company has not paid or become liable to pay any penalty, fine or interest charged by virtue of the provisions of any taxation statute, law, rule or regulation.

5.8 For the purpose of this paragraph, "**Taxation**" means (i) any liability to any form of taxation whenever created or imposed and whether of Hong Kong or of any other part of the world and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, interest tax, salaries tax, property tax, taxes of income, estate duty, capital duty, stamp duty, rates, and generally any tax, duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities whether of Hong Kong or of any other part of the world; (ii) an amount equal to any deprivation of any relief, allowance, set off, deduction in computing profits or right to repayment of taxation granted by or pursuant to any legislation concerning or otherwise relating to taxation; and (iii) all costs, interest, penalties, charges and expenses incidental or relating to taxation or to any relief, allowance, set off or deduction in computing profits or right to repayment of taxation which is the subject of the Warranties to the extent that the same is/are payable or suffered by any of the Company.

5.9 Management Accounts

The foregoing provisions of this paragraph 5 shall apply *mutatis mutandis* and as if repeated herein with respect of the Management Accounts, with references to the Accounts Date being substituted by references to the date to which such accounts were

prepared.

6. EVENTS SINCE THE ACCOUNTS DATE

- 6.1 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 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 all or any of its assets; none of the Company 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 to the condition of the Company is outstanding against the Company.

Save as disclosed in the Prospectus, since the Accounts Date each member of the Group has carried on business in the ordinary and usual course so as to maintain it as a going concern and in the same manner as previously carried on and since such date has not entered into any contract, transaction or commitment outside the ordinary course of business or of an unusual or onerous nature.

- 6.2 Without prejudice to the generality of the aforesaid and save as disclosed in the Accounts, since the Accounts Date and up to the Latest Time for Termination:
- (A) there has been and will be no interruption or alteration in the nature, scope or manner of the Company's business which business has been carried on lawfully and in the ordinary and usual course of business so as to maintain it as a going concern;
 - (B) the Company has continued and will continue to pay its creditors in the ordinary course of business and no unusual trade discounts or other special terms have been incorporated into any contract entered into by the Company;
 - (C) the Company has not repaid and will not repay any loan capital in whole or in part (other than indebtedness to its bankers) nor has it become bound or liable to be called upon to repay prematurely any loan capital or borrowed monies;
 - (D) the Company has not, except in the ordinary course of business, acquired, sold, transferred or otherwise disposed of any assets of whatsoever nature and will not do any of the aforesaid;
 - (E) the Company has not cancelled, waived, released or discontinued any rights, debts or claims and will not do any of the aforesaid;
 - (F) the Company has not incurred any capital expenditure or made any capital commitment of an amount or disposed of any assets and will not do any of the aforesaid;
 - (G) the Company has not undergone any capital reorganization or change in its capital structure (save as disclosed in the Company's announcements or circular issued before the date of this Agreement) and will not do any of the aforesaid;
 - (H) no resolutions have been or will be passed by the Company and nothing has been or will be done in the conduct or management of the affairs of the Company which would be likely to materially reduce the net asset value of the Company;
 - (I) the Company has not incurred or become subject to any liability or obligation (absolute or contingent) except current liabilities and obligations, in each case incurred under contracts entered into in the ordinary course of business and consistent with past practice which do not materially increase the nature or

amount of liabilities or obligations disclosed in the Accounts and will not do any of the aforesaid;

- (J) the Company has not made any purchase or sale or introduced any method of management or operation in respect of the business, undertaking or assets of the Company and will not do any of the aforesaid except in a manner consistent with proper prior practice;
- (K) there has not been and will not be any material adverse change in the business, financial condition, operations, or assets of the Group (taken as a whole);
- (L) there has not been and will not be any damage, destruction, or loss, whether covered by insurance or not, materially adversely affecting the properties or business of the Company (taken as a whole);
- (M) there has not been and will not be any transaction not in the ordinary course of business of the Company;
- (N) there has not been and will not be the lapse of any material patent, utility models, design, trademark, trade name, service mark, copyright, or licence or any application with respect to the foregoing by the Company;
- (O) there has not been and will not be any material liability incurred except in the ordinary course of its business;
- (P) no dividend or other distribution has been, or is treated or will be treated as having been, declared, made or paid by the Company;
- (Q) there has not be and will not be any change in the composition of the Board; and
- (R) there has not been and will not be an agreement to do any of the foregoing.

7. **CORPORATE MATTERS**

7.1 The minute books of directors' meetings and of shareholders' meetings respectively contain accurate records of all resolutions passed by the directors and the shareholders respectively of the Company and no resolutions which are material in the context of the Company have been passed by either the Directors or the shareholders of the Company which are not recorded in the relevant minute books.

7.2 All charges created by or against the Company have (if appropriate) been registered in accordance with the provisions of the Companies Ordinance and at the Land Office or the relevant registry in the relevant jurisdiction.

8. **FINANCE**

8.1 Borrowings

- (A) The amount borrowed by the Company from each of its bankers does not exceed the overdraft facility agreed with such banker.
- (B) The total amount borrowed by the Company from any sources does not exceed any limitation on its borrowing contained in the articles of association of the Company or in any debentures or loan stock trust deed or instrument or any other document executed by the Company.
- (C) The Company has no outstanding loan capital or loan stock.

- (D) Particulars of all money borrowed by the Company have been disclosed to the Underwriter.
- (E) No circumstances or events have arisen or occurred or are likely to arise or occur such that any person is (or would, with the giving of notice and/or lapse of time and/or fulfilment of any condition and/or the making of any determination, become) entitled to repayment of any material indebtedness prior to its due date for payment by the Company, or to take any step to enforce any security for any such indebtedness of any member of the Group and no person to whom any indebtedness for borrowed money of the Company which is payable on demand is owed has demanded or threatened to demand repayment of the same; neither this Agreement nor the consummation of the transactions contemplated will constitute or give rise to a breach of or default under any agreement or other arrangement to which the Company is party or give rise to any rights of any third party adverse to the Company in respect of any assets of the Company.

8.2 Debts owed to the Company

- (A) The Company does not own the benefit of any debt (whether present or future) other than debts which have accrued to it in the ordinary course of business.
- (B) All debts owed to the Company are collectable in the ordinary course of business and each such debt will realise in full its face value within one year of its due date for payment.
- (C) The debts owing to the Company shown in the Accounts and the Management Accounts (subject to any provision for bad and doubtful debts made in the Accounts or the Management Accounts, as the case may be) were paid in full on their due dates or, if any such debts are not yet due, each such debt is not now regarded by the Company as irrevocable in whole or in part.

8.3 Working capital requirements

Having regard to the existing banking and other facilities, the Company has sufficient working capital for the purpose of continuing to carry on its business in its present form, and at its present level of turnover for the foreseeable future and for the purposes of executing, carrying out and fulfilling in accordance with their terms all orders, projects and contractual obligations which have been placed with or undertaken by the Company.

8.4 Financial facilities

In relation to any Encumbrances to which any asset of the Company is subject and in relation to debentures, acceptance lines, overdrafts, loans or other financial facilities outstanding or available to the Company:

- (A) the Company has disclosed full details of them and true and correct copies of all documents relating to them; and
- (B) the Company has not done anything whereby the continuance of any such Encumbrance or facility in full force and effect might be affected or prejudiced.

8.5 Options, guarantees etc

The Company is not responsible for the indebtedness of any person other than other member(s) of the Group, and in particular but without prejudice to the generality of the foregoing is not a party to any option or pre-emption right or a party to any guarantee or suretyship or any other obligation to pay, purchase or provide funds (whether by the advance of money, the purchase of or subscription for shares or other securities or the

purchase of assets or services or otherwise) for the payment of, or as an indemnity against the consequence of default in the payment of, any indebtedness of any person other than other member of the Group.

9. **DEFAULT**

The Company is not in breach of or in default (nor has any event occurred which, with the giving of notice or the lapse of time or both would result in a material default) under any Law, agreement, licence, certificate or authorization which is binding upon or affects it or any of its assets or revenues or the operation of its business nor is in breach or violation of its business licence, memorandum and articles of association or bye-laws or other constitutive documents which is likely to have a material adverse effect on the Company.

10. **EMPLOYMENT ARRANGEMENTS**

10.1 All contracts of service to which the Company is a party can be terminated by it without payment of compensation or long service pay by giving not more than 3 months' notice (other than compensation in accordance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong).

10.2 The Company is not a party to:

- (A) any agreement, arrangement or scheme (whether or not legally enforceable) for profit sharing or for the payment to employees of bonuses or incentive payments or the like;
- (B) any collective bargaining or procedural or other agreement with any trades union or similar association.

10.3 Save to the extent (if any) to which provision or allowance has been made in the Accounts:

- (A) no liability has been incurred or is anticipated by the Company for breach of any contract of employment or for services or for severance payments or for redundancy payments or protective awards or for compensation for unfair dismissal or for failure to comply with any order for the reinstatement or re-engagement of any employee or for any other liability accruing from the termination or variation of any contract of employment or for services; and
- (B) no gratuitous payment has been made or promised by the Company in connection with the actual or proposed termination or suspension of employment or variation to any contract of employment or for services of any present or former director, officer or employee of the Company.

11. **LITIGATION**

11.1 Save as disclosed in the financial statements in the annual report 2008 of the Company, the Company is not now engaged in any litigation or arbitration proceedings and there are no lawsuits or arbitration proceedings pending or threatened by or against the Company or any person for whose acts or defaults the Company may be vicariously liable.

11.2 No injunction has been granted against the Company.

11.3 The Company is not subject to any order or judgment given by court or governmental agency which is still in force.

- 11.4 The Company has not given any undertaking to any court or to any third party arising out of any legal proceedings.
- 11.5 There is no matter or fact in existence which might give rise to any legal proceedings or arbitration proceedings involving the Company including any which might form the basis of any criminal prosecution against the Company.
- 11.6 No governmental or other investigation or inquiry is in progress or threatened in respect of the Company or its business and there are no circumstances likely to lead to any of the same.

12. **CONTRACTS AND COMMITMENTS**

12.1 Onerous Contract

Save as disclosed in the Accounts, there is not now outstanding nor will there be outstanding at the date of this Agreement up to the Latest Time for Termination:

- (A) any long term contract (i.e. contracts not terminable by the Company without penalty on six months' notice or less) or onerous or unusual or abnormal contracts (i.e. contracts for capital commitment or contracts differing from those necessitated by the ordinary course of business) binding upon the Company;
- (B) any agreement (whether by way of guarantee, indemnity, warranty, representation or otherwise) under which the Company is under any actual or contingent liability in respect of the obligations of any person;
- (C) any material agreement entered into by the Company otherwise than by way of bargain at arm's length;
- (D) any contract which materially restricts the freedom of the Company to carry on the business now carried on by it in any part of the world; and
- (E) any management agreements, co-insurance agreements, joint venture agreements, agency agreements or any form of agreement which entitles any person to bind the Company contractually, to settle, negotiate or compromise any accounts or claims or to collect, receive or share in any balances or sums payable to the Company.

12.2 Material Contracts

Save as disclosed in writing to the Underwriter, the Company is not a party to or bound by:

- (A) Operating activities:
 - (I) any licensing or distribution agreement, volume purchase agreement, corporate end user sales or service agreement, reproduction or replication agreement or production agreement in which the amount involved exceeds annually, HK\$1,000,000 or pursuant to which any it has granted or received manufacturing rights, most favoured nation pricing provisions, or exclusive marketing, reproduction, publishing or distribution rights related to any product, group of products or territory;
 - (II) any lease for real or personal property in which the amount of payments which it is required to make on an annual basis exceeds HK\$1,000,000;
 - (III) any agreement, franchise, or indenture where the amount of consideration payable thereunder is greater than HK\$1,000,000 in any year during the

term of such agreement, franchise or indenture and which has not been terminated or performed in its entirety and not renewed which may be, by its terms, terminated, impaired, or adversely affected by reason of the execution of this Agreement or the consummation of the transactions contemplated;

- (IV) any consultancy or management services agreements between the Company and any other person, firm or company other than employment contracts between the Company as employer and any other person as employee;
- (B) Investing activities:
- (I) any arrangement or agreement involving the acquisition or disposal of assets (other than in the ordinary course of business on normal commercial terms) but in all circumstances subject to an aggregate limitation of HK\$1,000,000 to the Group as a whole;
 - (II) any arrangement or agreement involving the formation of a joint venture entity in any form, such as partnership or a company, or any other form of joint arrangement;
 - (III) any hire purchase agreement or leasing agreement or agreement for payment on deferred terms or any other agreements in relation to finance leased assets and operating leased assets;
- (C) Financing activities:
- except for trade indebtedness incurred in the ordinary course of business, any instrument evidencing or related in any way to indebtedness incurred in the acquisition of companies or other entities or indebtedness for borrowed money by way of direct loan, sale of debt securities, purchase money obligation, conditional sale, guarantee, or otherwise which individually is in the amount of HK\$300,000 or more.
- (D) Personnel:
- (I) any employment contract or arrangement providing for annual salary in excess of HK\$1,000,000 with any officer or employee or with any consultant or director; and
 - (II) any plan or contract or arrangement, written or oral, providing for bonuses, pensions, deferred compensation, retirement payments, profit-sharing, severance, acceleration of vesting of benefits, payments upon change of control events, or the like.

12.3 Performance of contracts

- (A) The terms of all contracts of the Company have been complied with by the Company and by the other parties to the contracts in all material respects and there are no circumstances likely to give rise to a material default by the Company or by the other parties under any such contract.
- (B) There are no outstanding claims, separately or in the aggregate of material amounts, against the Company on the part of customers or clients of the Company or other parties in respect of delays in delivery or completion of contracts or deficiencies or performance or otherwise relating to the liability for goods or services sold or supplied by the Company and no such claims are

threatened or anticipated and there is no matter or fact in existence in relation to goods or services currently sold or supplied by the Company which might give rise to the same.

- (C) The Company has no knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any agreement or other transaction, to which the Company is a party and has received no notice of any intention to terminate, repudiate or disclaim any such agreement or other transaction.

13. **RECORDS AND DOCUMENTS OF THE COMPANY**

- 13.1 Internal and public records: All the accounting records, statutory and other books and records (including the register of members and the registers of debenture and loan stock holders), and other deeds documents record, data and information of the Company and its pension and benefit schemes (if any) are, and have in the preceding six years been, kept up to date, properly, accurately and consistently completed and are a complete and accurate record of all acts and transactions of the Company and of all matters required by law or best business practice to be recorded or registered therein; the Company has not received any application or request for rectification of any such registers which are in the possession of the Company.
- 13.2 Control of records: The Company does not have any of its records, system controls, data or information recorded, stored, maintained, operated or otherwise wholly or partly dependent on or held by any means (including any electronic, mechanical or photographic process whether computerised or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of the Company.
- 13.3 Documents: All title deeds and other documents required to show title to the assets of the Company (duly stamped where necessary) and all other documents and agreements to which the Company is a party and all other documents, records and correspondence of the business owned by, or which ought to be in the possession or control of, the Company are in the possession or control of the Company.

14. **COMPLIANCE WITH LAWS AND REGULATIONS (INCLUDING THE LISTING RULES) ETC**

- 14.1 Licences, permits, consents and authorizations: The Company has all necessary licences, permits, consents and authorizations from all governmental departments and regulatory bodies for the proper and effective carrying on of its business and in the manner in which such business is now carried on and all such licences, permits, consents and authorizations are valid and subsisting and there are no reasons why any of them should be suspended, cancelled or revoked whether in connection with the transactions contemplated in this Agreement or otherwise and there are no factors that might in any way prejudice the continuance or renewal of any of those licences, permits, consents or authorizations and the Company is not restricted by contract from carrying out on any activity in any part of the world.
- 14.2 Compliance with laws: There are no violations or claimed violations of any such licence, permit, or authorization, or any statute, law, ordinance, rule or regulation. The Company has conducted its activities in compliance with all applicable laws and there has been no material breach of any laws applicable to it.
- 14.3 General compliance with the Listing Rules: The Company is not in material breach of any material rules, regulations or requirements of the Stock Exchange or (if applicable) its listing agreement made with the Stock Exchange (and, without limiting the foregoing,

all announcements required to be made by the Company under or in accordance with any such rules, regulations or requirements, or pursuant to such listing agreement, have been duly made).

- 14.4 Specific compliance in relation to this Agreement: If applicable, the Company has complied and will comply with all other applicable rules, regulations and other requirements material or relevant to the transactions contemplated by this Agreement (including rules governing restrictions on and/or disclosure of dealings) and is not aware of any breach of any such rule, regulation or other requirement by any person. If applicable, the Company will make all appropriate disclosures pursuant to, and will comply in all respects with, the Listing Rules, the Takeovers Code and the SFO in connection with the transactions entered into or to be entered into pursuant to this Agreement.

15. **RIGHTS ISSUE**

- 15.1 The Company is empowered under its memorandum and articles of association and has taken all necessary corporate or other action, and no other consents, actions, authorizations or approvals are necessary to enable or authorize it other than the obtaining the consents and approvals referred to in Clause 2.1:
- (A) to issue and allot the Rights Shares required to be provisionally allotted pursuant to the terms of this Agreement in accordance with the Prospectus Documents without any sanction;
 - (B) to deal with the Rights Shares attributable to the Excluded Shareholders as may be specified in the Prospectus Documents; and
 - (C) to enter into and perform its obligations under this Agreement and to make the Rights Issue.
- 15.2 The Rights Shares, when fully paid shall be free from Encumbrances.
- 15.3 The Company shall not from the date hereof until after the Latest Time for Termination issue any Shares or issue or grant any share options or other securities convertible into, exchangeable, for which carry rights to acquire Shares (other than the Rights Shares).
- 15.4 The Company shall make enquiry with the Substantial Shareholders as to their intention with regard to their respective provisional allotment of Rights Shares pursuant to the Rights Issue as soon as practicable after signing of this Agreement and keep the Underwriter informed of the result of the enquiry within reasonable time.

EXECUTION PAGE

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

SIGNED by)
KUI WEI)
for and on behalf of)
POLYARD PETROLEUM)
INTERNATIONAL GROUP LIMITED)
in the presence of:)

A handwritten signature in black ink, appearing to be 'KUI WEI', is written over the signature line of the text block.

SIGNED by
LAM NAM
for and on behalf of
**SILVER STAR ENTERPRISES
HOLDINGS INC.**
in the presence of:

)
)
)
)
)

A handwritten signature in black ink, appearing to be 'Lam Nam', written in a cursive style. The signature is positioned to the right of the text and is enclosed within a series of five closing parentheses on its left side.