**Dated the 16th day of August 2007**

**JESSICA PUBLICATIONS LIMITED**
**(as the Company)**

**and**

**HONG BRIDGE CAPITAL LIMITED**
**(as the Subscriber)**

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# SUBSCRIPTION AGREEMENT

relating to the issue of the Subscription Shares and
Zero Coupon Convertible Notes due 24 months thereafter

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(Our Ref: CHC/KTSO)

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**THIS AGREEMENT** is dated the 16th day of August 2007 and made

**BETWEEN:**

(1) **JESSICA PUBLICATIONS LIMITED**, a company incorporated in the Cayman Islands with limited liability whose registered office is at the offices of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4/F, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and having a principal place of business in Hong Kong at Unit C, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong (the "**Company**" or "**JPL**"); and

(2) **HONG BRIDGE CAPITAL LIMITED**, a company incorporated in the British Virgin Islands with limited liability and having its registered office at Offshore Incorporations Centre, P.O. Box 957, Road Town Tortola, the British Virgin Islands (the "**Subscriber**").

**BACKGROUND:**

(A) The Company was incorporated in the Cayman Islands on 29 June 2001 with limited liability under the Companies Law, the shares of which are listed on the GEM Board. Further information and particulars concerning the Company and each of the Subsidiaries are set out in Part I and Part II of Schedule 1.

(B) As at the date of this Agreement, the Company has an authorised share capital of HK$1,000,000,000 divided into 1,000,000,000,000 Shares, of which 508,879,716 Shares have been issued and are fully paid up. As at the date of this Agreement, there are Options to subscribe for 4,773,440 new Shares. Save for such Options, the Company does not have any securities convertible or exchangeable into Shares.

(C) The Company is the holding company of a group of companies principally engaged in the publication of magazines .

(D) The Company has agreed to issue, and the Subscriber has agreed to subscribe or procure the subscription of the Subscription Shares and the Notes at Completion subject to and in accordance with this Agreement.

**THE PARTIES AGREE THAT:**

## 1. INTERPRETATION

1.1 In this Agreement, where the context admits:

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| **"Accounts"** | means the audited consolidated accounts of the Group for the financial year ended on the Accounts Date (including the notes and the report of the Directors attached thereto), a copy of which has been delivered to the Subscriber; |
| **"Accounts Date"** | means 31 December 2006; |
| **"Announcement"** | the joint announcement to be made by the Company and the Subscriber in relation to, inter alia, this Agreement, the proposed issue of the Subscription Shares and the Notes, substantially in the form annexed hereto and marked "Exhibit A"; |

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| **"associate"** | has the meaning given to it under the GEM Listing Rules, and "associates" shall be construed accordingly; |
| **"Business Day"** | means any day (other than a Saturday, Sunday, a public holiday or a day on which typhoon signal no.8 or above or a "black" rainstorm warning is hoisted in Hong Kong) on which licensed banks in Hong Kong are open for business; |
| **"CCASS"** | the Central Clearing and Settlement System established and operated by HKSCC; |
| **"Claim"** | has the meaning ascribed to it in Clause 4.9; |
| **"Claimed Amount"** | has the meaning ascribed to it in Clause 4.9(a); |
| **"Companies Law"** | means the Companies Law (2004 Revision) of the Cayman Islands for the time being in force (as amended); |
| **"Companies Ordinance"** | means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); |
| **"company"** | means any company or body corporate wherever incorporated; |
| **"Company's Solicitors"** | means Sidley Austin of Level 39, Two International Finance Centre, 8 Finance Street, Central , Hong Kong; |
| **"Completion"** | means completion of the subscription and issue of the Subscription Shares and the Notes and performance by the parties of their respective obligations pursuant to the terms of this Agreement" |
| **"Completion Account"** | means the unaudited consolidated balance sheet of the Company as at the Completion Date |
| **"Completion Date"** | means on or before the 2nd Business Day following the fulfilment of Conditions Precedent other than Clauses 6.1(f) and (g) or waiver thereof (as the case may be) in accordance with Clause 6.2 or such other date as the Company and the Subscriber shall agree in writing; |
| **"Conditions Precedent"** | means the conditions precedent set out in Clause 6.1; |
| **"Control" or "Controlled" (or any correlative term)** | means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise; and for the purpose of this definition, a person shall be deemed to Control another person if such first person, directly or indirectly, owns or holds more than 30% of the voting equity interests in such another person; |
| **"Conversion Shares"** | means ordinary shares in the share capital of the Company to be issued upon conversion of the Notes pursuant to the |

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| | Note Conditions; |
| **"Deposit"** | means HK$2,000,000; |
| **"Directors"** | means the directors of the Company set out in Part I of Schedule 1; |
| **"Disclosed"** | means : properly and fairly disclosed in this Agreement or the Disclosure Letter or any public documents; |
| **"Disclosure Letter"** | means the letter of even date from the Company to the Subscriber disclosing information with respect to the Warranties; |
| **"Disposal"** | means the proposed disposal by Great Ready Assets Limited to Win Gain Investments Limited of the entire issued share capital of Jessica Publications (BVI) Limited pursuant to the Disposal Agreement; |
| **"Disposal Agreement"** | means the agreement in the agreed form of even date entered into between Great Ready Assets Limited (as vendor) and Win Gain Investments Limited (as purchaser) for effecting the Disposal; |
| **"Disposed Group"** | means a group of companies comprising Jessica Publications (BVI) Limited (particulars of which are set out in Part III of Schedule 1); |
| **"Encumbrance"** | means any interest or equity of any person (including any right to acquire, option or right of pre-emption), voting arrangement, mortgage, charge, pledge, bill of sale, lien, deposit, hypothecation, assignment or any other encumbrance, priority or security interest or arrangement or interest under any contract or trust or any other third party interest of whatsoever nature over or in the relevant property and "**Encumber**" shall be construed accordingly; |
| **"Event of Default"** | means an event described under "Event of Default" in the Note Conditions; |
| **"Executive"** | means the Executive Director of the Corporate Finance Division of the SFC or any of his delegate; |
| **"Extraordinary General Meeting"** | means the extraordinary general meeting of the Company to be convened to be held to approve, among other things, this Agreement, the issue of the Notes and the Disposal Agreement; |
| **"GEM"** | means the Growth Enterprise Market of the Stock Exchange; |
| **"GEM Board"** | means the GEM board operated and maintained by he Stock Exchange; |
| **"GEM Listing Rules"** | means the Rules Governing the Listing of Securities on GEM; |

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| **"Group"** | means the Company, the Subsidiaries and the Disposed Group and "**member(s) of the Group**" or "**Group Company(ies)**" shall be construed accordingly; |
| **"Hong Kong"** | means the Hong Kong Special Administrative Region of the PRC; |
| **"HK Media Business"** | means the business carried on by Superb Taste Company Limited and Jessicacode Limited; |
| **"HKSCC"** | Hong Kong Securities Clearing Company Limited; |
| **"Intellectual Property"** | means any patents, trade marks, service marks, rights (registered or unregistered) in any designs; applications for any of the foregoing; domain names; trade or business names; copyright (including rights in computer software) and topography rights; know-how; secret formulae and processes; lists of suppliers and customers and other confidential and proprietary knowledge and information; rights protecting goodwill and reputation; database rights and all rights and forms of protection of a similar nature to any of the foregoing or having equivalent effect anywhere in the world and all rights under licences and consents in respect of any of the rights and forms of protection mentioned in this definition; |
| **"Leased Properties"** | means the properties leased by members of the Group (other than the Disposed Group), the particulars of which are set out in Schedule 4; |
| **"Long Stop Date"** | means 30 November 2007, or such other date as the Company and the Subscriber may agree in writing; |
| **"Management Accounts"** | means the unaudited consolidated management accounts of the Group for the six months ended on the Management Accounts Date; |
| **"Management Accounts Date"** | means 30 June 2007; |
| **"Material Adverse Change"** | means any event, change in or effect on the Group (excluding the Disposed Group) that, individually or in the aggregate, has had or is reasonably expected to have a material adverse effect on the business, condition (financial or otherwise), results of operations, assets and prospects of the Group (excluding the Disposed Group) taken as a whole; |
| **"month"** | is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month provided that if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last day in that later month; |

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| **"Note Certificate"** | means the definitive registered certificate, substantially in the form set out in Schedule 2, to be issued by the Company in respect of the Notes; |
| **"Note Conditions"** | means the terms and conditions of the Notes as set out in the Notes; |
| **"Note Maturity Date"** | means the date falling 24 months from the date of issue of the Notes by the Company; |
| **"Note Register"** | means the register of holders of the Notes which shall be maintained by the Company in accordance with the requirements of the Notes; |
| **"Note Selling Price"** | means a price equal to 100 per cent. of the principal amount of the Notes; |
| **"Notes"** | means the zero coupon convertible notes due 24 months after the date of issue of the Notes in the aggregate principal amount of HK$14.7 million to be issued by the Company subject to, and with the benefit of, the Note Conditions, substantially in the form set out in Schedule 2; |
| **"Options"** | means the options which were granted under the Share Option Scheme and remain outstanding as at the date of this Agreement; |
| **"Parties"** | means the named parties to this Agreement and **"Party"** means any one of them; |
| **"PRC"** | means The People's Republic of China, which for the purpose of this Agreement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan; |
| **"Proceedings"** | means any legal actions or proceedings arising out of or in connection with this Agreement; |
| **"SFC"** | means the Securities and Futures Commission of Hong Kong; |
| **"SFO"** | means the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong); |
| **"Share Option Scheme"** | means the share option scheme adopted by the Shareholders on 20 December 2001 and in compliance with the GEM Listing Rules pursuant to which options have been or may be granted to eligible participants entitling the holders thereof to subscribe for new Shares upon specified terms; |
| **"Shareholders"** | means holders of Shares from time to time; |

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| **"Shares"** | means ordinary shares of HK$0.001 each in the capital of the Company, and **"Share"** means any of them; |
| **"Subscription"** | the subscription of the Subscription Shares and the Notes by the Subscriber on the terms and conditions set out in this Agreement; |
| **"Subscription Price"** | HK$0.007 per Subscription Share; |
| **"Subscription Shares"** | 2,900,000,000 new Shares; |
| **"Stock Exchange"** | means The Stock Exchange of Hong Kong Limited; |
| **"Subscriber's Solicitors"** | means Kirkpatrick & Lockhart Preston Gates Ellis of 35th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong; |
| **"Subsidiaries"** | means the companies listed in Part II of Schedule 1 ; |
| **"Takeovers Code"** | means the Hong Kong Code on Takeovers and Mergers; |
| **"Tax" or "Taxation"** | means all taxes, fees and surcharges present or future taxes, levies, imposts, duties, fees, assessments, surcharges or other charges of whatever nature, imposed by the government of the Cayman Islands, Hong Kong and the PRC or other relevant jurisdictions, or by any department, agency or other political subdivision or taxing authority thereof, and all interest, penalties or similar liabilities with respect thereto which the Company and/or any of the Subsidiaries are liable to pay, accrue and withhold; |
| **"Transaction Documents"** | means this Agreement and the Disposal Agreement; |
| **"Warranties"** | means the warranties, representations and/or undertakings given or made by the Company in Clause 4 and Schedule 3, and a "**Warranty**" shall mean any of them; |
| **"Warranty Period"** | has such meaning as ascribed to it under Clause 4.9(c); |
| **"Whitewash Waiver"** | a waiver to be sought from the Executive pursuant to Note 1 on the dispensation from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber and parties acting in concert with it as a result of this Agreement to make (a) a mandatory offer for all issued Shares (other than those already owned or agreed to be acquired by the Subscriber and the parties acting in concert with it) and (b) an appropriate offer in respect of all outstanding Options upon Completion; and |
| **"HK$"** | means Hong Kong dollars, the lawful currency of Hong Kong. |

1.2 Any references, express or implied, to statutes or statutory provisions shall be construed as references to those statutes or provisions as respectively amended or re-enacted or as their

application is modified by other provisions (whether before or after the date hereof) from time to time and shall include any statutes or provisions of which they are re-enactments (whether with or without modification) and any orders, regulations, instruments or other subordinate legislation under the relevant statute or statutory provision. References to sections of consolidating legislation shall, wherever necessary or appropriate in the context, be construed as including references to the sections of the previous legislation from which the consolidating legislation has been prepared.

1.3 References herein to Recitals, Clauses, Schedules and Exhibits are to recitals to, clauses in and schedules and exhibits to this Agreement (unless the context requires otherwise). The Recitals and the Schedules to this Agreement shall be deemed to form part of this Agreement.

1.4 The expressions, the "**Company**" and the "**Subscriber**" shall, where the context permits, include their respective successors, personal representatives and permitted assigns.

1.5 The headings are inserted for convenience only and shall not affect the construction of this Agreement.

1.6 Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing a gender include every gender.

1.7 References to **"persons"** shall include body corporates, unincorporated associations and partnerships (whether or not having separate legal personality).

1.8 References to writing shall include any methods of producing or reproducing words in a legible and non-transitory form.

1.9 Unless the context requires otherwise, words and expressions defined in the Companies Ordinance shall bear the same respective meanings when used in this Agreement.

1.10 In construing this Agreement:

(a) the rule known as the ejusdem generis rule shall not apply and, accordingly, general words introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things; and

(b) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

1.11 References to a document being "**in the agreed form**" means such documents in the form agreed and initialled for the purposes of identification by or on behalf of the Parties and with such alterations as may be agreed between the Parties.

1.12 Any statement in this Agreement qualified by the expression "**to the best of the knowledge, information and belief**" of a person or "**so far as a person is aware**" or "**there are no facts known to a person**" or any similar expression shall be deemed to include an additional representation that it has been made by such person after making reasonable enquiries.

1.13 References to times of the day are, unless otherwise specified, to Hong Kong time.

## 2. ISSUE AND SUBSCRIPTION

2.1 Subject to the terms of this Agreement, the Company shall allot and issue the Subscription Shares at the Subscription Price to the Subscriber or its nominee as the Subscriber may direct in accordance with the terms of this Agreement on the Completion Date.

2.2 Subject to the satisfaction (or waiver as the case may be) of the Conditions Precedent, the Subscriber shall subscribe or procure subscription by such nominee as referred to in Clause 2.1 of the Subscription Shares at the Subscription Price in accordance with the terms of this Agreement, on the Completion Date.

2.3 Subject to the terms of this Agreement, the Company shall issue the Notes at their full face value to the Subscriber or its nominee as the Subscriber may direct in accordance with the terms of this Agreement on the Completion Date.

2.4 Subject to the satisfaction (or waiver as the case may be) of the Conditions Precedent, the Subscriber shall subscribe or procure subscription by such nominee as referred to in Clause 2.3 of the Notes at their full face value and pay or procure to be paid the Note Selling Price in accordance with the terms of this Agreement, on the Completion Date.

2.5 The Subscriber agrees that, upon the signing of this Agreement, it shall pay the Deposit to the Company (the receipt of which is hereby acknowledged by the Company), which shall be applied in accordance with Clause 6.5 or Clause 7.4 (as the case may be).

2.6 The Subscriber shall not be obliged to complete the Subscription unless the subscription of both the Subscription Shares and the Notes are completed at the same time.

## 3. LISTING

3.1 The Company confirms that it shall as soon as practicable following the execution of this Agreement make an application to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

3.2 The Notes shall not be listed on any stock exchange. The Company confirms that it shall as soon as practicable following the execution of this Agreement make an application to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares upon the exercise of the conversion rights attaching to the Notes.

## 4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

4.1 As a condition of the obligations of the Subscriber to subscribe or procure subscription of the Subscription Shares and the Notes, the Company represents and warrants to the Subscriber in the terms set out in Schedule 3 save for and subject to the matters Disclosed. The Company acknowledges that the Subscriber has entered into this Agreement in reliance upon the Warranties given by the Company.

4.2 Each of the Warranties shall be fulfilled down to and shall be true and accurate in all material respects and not misleading at Completion and shall be deemed to be repeated by the Company as at Completion, and as at each day following the day on which this Agreement is executed and prior to Completion, as if all references therein to the date hereof were references to the Completion Date or, as the case may be, the relevant date between the day of execution of this Agreement and Completion having regard to the circumstances existing at such times.

4.3 In so far as the Warranties relate in whole or in part to matters of fact they shall constitute representations by the Company upon the faith of which the Subscriber has entered into this Agreement and each of the Warranties shall be construed as a separate Warranty and (save as Disclosed or expressly provided to the contrary) shall not be limited or restricted by reference to or inference from the terms of any other Warranty or any other term of this Agreement.

4.4 The Company shall procure that (except only to such extent as may be necessary to give effect to this Agreement) neither the Company nor any of its Subsidiaries shall do or omit to do any act prior to Completion which would constitute a breach of any of the Warranties or which would make any of the Warranties inaccurate or misleading in any material respect.

4.5 The rights and remedies of the Subscriber in respect of a breach of the Warranties shall not be affected by Completion but shall be subject to Clause 4.9.

4.6 The Company hereby undertakes with the Subscriber that it shall as soon as practicable, disclose in writing to the Subscriber any event or circumstance which may to its knowledge arise or become known to it after the date of this Agreement and prior to Completion which is inconsistent with any of the Warranties in any material respect.

4.7 The Warranties are given subject to the matters Disclosed in the Disclosure Letter.

4.8 In addition to the Subscriber's rights at common law in respect of any breach of any of the Warranties and notwithstanding whether all or any of the transactions contemplated by this Agreement shall have been completed, the Company covenants with the Subscriber to hold the Subscriber indemnified on demand against any loss or liability reasonably suffered by the Subscriber as a result of or in connection with any breach of such Warranties, including without limitation, all reasonable costs and expenses (including, without limitation, legal expenses) which the Subscriber may incur either before or after the commencement of any action in connection with:

(a) the settlement of any claim for breach of the undertakings given by the Company under Clause 5;

(b) the settlement of any claim that any of the Warranties made by them are, on or before the Completion Date, untrue or misleading or have been breached;

(c) any Proceedings in which the Subscriber claims that any of Warranties made by it are, on or before the Completion Date, untrue or misleading or have been breached and in which judgment is given for the Subscriber; or

(d) the enforcement of any such settlement, arbitral award or judgment (if any).

4.9 The liability of the Company in respect of any claims (each a **"Claim"** and together **"Claims"**) under this Agreement whether for breach of the Warranties or otherwise shall be limited as follows:

(a) the maximum aggregate liability of the Company in respect of all Claims for breach shall not exceed the aggregate amount of the Subscription Price and the Note Selling Price (**"Claimed Amount"**);

(b) in respect of any Claim, the Company shall not be liable for any individual Claim which does not exceed HK$500,000 or an aggregate of Claims which does not exceed HK$1,000,000;

(c) no Claim may be brought against the Company after the expiry of 12 months (the "**Warranty Period**") after Completion Date and the Company shall not be liable in respect of a breach of any of the Warranties unless it shall have received written notice from the Subscriber prior to the expiry of the Warranty Period giving reasonable details of the relevant Claim;

(d) the Company shall not be liable for any Claim to the extent that it arises or is increased as a result only of:

(i) any voluntary act of any member of the Group (excluding the Disposed Group) and/or the Subscriber after Completion except where such act is done by the Subscriber bona fide and in compliance with Clause 4.9(e);

(ii) any legislation not in force at the Completion Date or any change of law or administrative practice which takes effect retroactively or occurs as a result of any increase in the rates of taxation in force at the Completion Date; or

(iii) an increase in the rates, method of calculation or scope of taxation after the Completion Date or any change in generally accepted accounting practice after the Completion Date;

(e) In respect of any claims against any member of the Group (excluding the Disposed Group) other than claims which may be due to the wrongful act or omission of the Company after the Completion Date, the Subscriber shall procure that the Company are promptly informed of any fact, matter, event or circumstance which comes to its notice or to the notice of any member of the Group (excluding the Disposed Group) whereby it appears that the Company is or may become liable to make any payment to the Subscriber under the Warranties in relation to such claims against any member of the Group (other than the Disposed Group) and shall not unreasonably settle or compromise such claim without the prior consultation with the Company. At the request in writing by the Company, the Subscriber shall, subject to (i) the Company providing reasonable security for any costs and expenses which might be incurred by the Subscriber or the relevant member of the Group (excluding the Disposed Group) and (ii) the Subscriber and the relevant member of the Group (excluding the Disposed Group) being indemnified to the Subscriber's reasonable satisfaction against any liability, costs, damages or expense which may be incurred, take such action as the Company may reasonably request to avoid, dispute, resist, compromise or defend the claim or liability for which the Company may be or become directly or indirectly liable or responsible (subject to their giving timely instructions to the Subscriber) and the Subscriber shall further render or cause to be rendered to the Company all such assistance as the Company may reasonably require in connection with the foregoing.

4.10 The Company hereby warrants that as at Completion, the unaudited consolidated liabilities of the Company as set out in the Completion Account shall be approximately HK$1,000,000.

4.11 The Subscriber hereby warrants to the Company as follows:

(a) the Subscriber has power under its memorandum and articles of association or other constitutional documents to subscribe for or procure subscription of the Subscription Shares and the Notes upon the terms set out herein; and

(b) the Subscriber has full power, authority and legal right to enter into this Agreement and to perform its obligations hereunder and the execution and delivery of this

Agreement and the consummation of the transactions contemplated hereby shall not result in the breach or cancellation or termination of any of the terms or conditions of or constitute a default under any agreement, commitment or other instrument to which the Subscriber is a party or by which the Subscriber may be bound or affected or violate any law or any rule or regulation of any administrative agency or governmental body or any order, writ, injunction or decree of any court, administrative agency or governmental or regulatory body affecting the Subscriber.

## 5. UNDERTAKINGS

5.1 The Company shall procure that the business of each member of the Group (other than the Disposed Group) is operated in a manner consistent with past practices and in the ordinary course of day-to-day operations during the period from the date hereof until Completion.

5.2 During the period from the date hereof until Completion, and save as contemplated by this Agreement and/or the Transaction Documents, the Company shall procure that each member of the Group (other than the Disposed Group) shall not, without the prior written consent of the Subscriber:

(a) create or permit to arise any lien (other than a lien arising by operation of law and in the ordinary course of business), charge, Encumbrance, pledge, mortgage or other third-party right or interest on or in respect of any of its undertaking, property or assets or enter into any contract, commitment or transaction save in the ordinary course of day-to-day operations of the Group (other than the Disposed Group);

(b) issue or agree to issue any shares, warrants or other securities or loan capital or grant or agree to grant any option over or right to acquire or convert into any share or loan capital of the Company or otherwise take any action which might result in the Subscriber acquiring on Completion a percentage interest in the Company (on a fully diluted basis) lower than that contemplated in this Agreement or the Company reducing its interest in any of its Subsidiaries save for the issue of the Subscription Shares and the Notes under this Agreement and issue of Shares upon exercise of the Options;

(c) give any guarantee or indemnity for or otherwise secure the liabilities or obligations of any person save and except other members of the Group (other than the Disposed Group) in the ordinary course of day-to-day operations;

(d) sell, transfer, lease, assign or otherwise dispose of any material part of its undertaking, property or assets (or any interest therein) or contract in excess of HK$1,000,000 (in aggregate) in value so to do, other than in the ordinary course of day-to-day operations;

(e) except as provided in this Agreement, incur any further liabilities or indebtedness save for liabilities or indebtedness in the ordinary course of business which aggregate principal amounts and accrued interest (if applicable) shall not exceed HK$1,000,000 up to the Completion Date:

(f) declare or make any dividend or similar distribution of any kind on or with respect to any equity securities, or otherwise distribute its shareholders any of its assets or property or reserve;

(g) release, compromise or write off any material amount recorded in its books of account as owing by any debtors of the Company of an amount exceeding HK$1,000,000 (in aggregate);

(h) purchase, take on lease or assume possession of any real property or enter into any long term, abnormal or unusual contract save as Disclosed;

(i) carry on any business which constitutes a material deviation from the business currently carried on by it;

(j) enter into any contract or commitment for an amount exceeding in aggregate HK$1,000,000 save in the ordinary course of day-to-day operations;

(k) do or omit to do anything whereby the condition of its assets or the financial position of its business might be materially and adversely affected;

(l) permit or suffer any of its insurances in respect of any of its assets or its business to lapse or do anything which would make any policy of insurance void or voidable;

(m) increase, reduce, consolidate, sub-divide or cancel its authorised and issued share capital, save the issue of the Subscription Shares and the Notes contemplated under this Agreement and the issue of shares upon exercise of Options;

(n) change its name or the name under which it carries on business, save as pursuant to Clause 5.8 or otherwise requested by the Subscriber;

(o) make any composition or arrangement with its creditors;

(p) pass any resolution which would result in its winding up, liquidation or entering into administration or receivership;

(q) consolidate or merge with any other business, which is not part of its existing business as at the date hereof;

(r) grant further options under the Share Option Scheme and/or increase the number of shares available for grant or issuance under the Share Option Scheme, any share option plan or other share incentive plan or arrangement or make any amendment to or terminate any such plan or arrangement;

(s) make any loan or advance or give any credit (except in the ordinary course of day-to-day operations);

(t) amend or adjust the employment terms, including compensation packages, each of the employees or officers of each Group Company (other than the Disposed Group) ;

(u) transfer, license or create any Encumbrance over any of its Intellectual Property rights;

(v) assign or purport to assign any rights under any contract to which any of its shareholders is a party;

(w) enter into any material contract with any of its shareholders, save as disclosed in this Agreement;

(x) save as contemplated under this Agreement, pass any resolution in general meeting other than any resolution in respect of any matters ordinarily dealt with in annual general meetings of the relevant member;

(y) enter into, purport to enter into or agree to enter into any tenancy or other contracts relating to any properties, save in the ordinary course of day-to-day operations;

(z) amend, alter or repeal, whether by merger, reclassification or otherwise any provision of its memorandum of association or articles of association or other constitutional documents;

(aa) enter into any onerous or unusual contracts or arrangements;

(bb) take or permit the taking of any action which may affect the listing status of the Shares;

(cc) commence or settle any claim or legal or other proceedings in excess of HK$1,000,000 (in aggregate);

(dd) change its financial year end date; and

(ee) enter into any transaction which is required (i) by the GEM Listing Rules and the Takeovers Code to be subject to independent shareholders' approval; or (ii) to be referred to independent non-executive Directors for decision (whether pursuant to any requirements under the GEM Listing Rules or otherwise), save as Disclosed in this Agreement.

5.3 The Company undertakes, subject always to compliance with such confidentiality obligations as may be imposed by laws, regulations and/or rules, to keep the Subscriber informed of any investigation or enquiry into the affairs of the Group (other than the Disposed Group) by any regulatory authority, including the status and progress thereof and at the Subscriber's reasonable request, supply any relevant documents in connection therewith.

5.4 The Company shall use its reasonable endeavours to assist the Subscriber, and the Subscriber shall use its reasonable endeavours to assist the Company, in all its negotiations and exchanges of correspondence in relation to the transactions referred to herein with the SFC and/or the Stock Exchange and other relevant authorities in Hong Kong.

5.5 The Company shall pay any stamp, issue and registration duties and documentary or other taxes, including interest and penalties, payable on or in connection with the creation, issue and offering of the Notes or the execution or delivery of this Agreement.

5.6 The Company shall make all necessary arrangements to ensure that the share certificates for the Subscription Shares and the Note Certificate(s) are printed or otherwise produced and issued and delivered to the Subscriber in accordance with the provisions of this Agreement.

5.7 Each of the Parties undertakes to one another that it shall use all reasonable endeavours to make timely supply of information to the Company, the Stock Exchange and the SFC of information and documents required pursuant to the GEM Listing Rules, the Takeovers Code and all other applicable rules, codes and regulations whether in connection with the preparation of all circulars, reports, independent advice or otherwise in connection with this Agreement and the transactions herein contemplated including the Transaction Documents. The Company undertakes to provide all such information and documents in its custody to the Stock Exchange and the Executive and to execute all such applications, documents and other things as may be reasonably required by the Stock Exchange, the Executive or any other regulatory authority.

5.8 Each of the Parties undertakes to one another that it shall use all its reasonable endeavours to procure the Shareholders to approve the change of name of the Company to HonBridge Holdings Limited (洪橋集團有限公司) and the refreshment of the scheme mandate limit of the Share Option Scheme.

## 6. CONDITIONS PRECEDENT

6.1 The obligations of the Subscriber under Clauses 2.2 and 2.4 are conditional upon:-

(a) the passing by the Shareholders (other than those prohibited from voting under the GEM Listing Rules and/or the Takeovers Code, if applicable) of all necessary resolutions by way of poll at the Extraordinary General Meeting approving:

(i) this Agreement and the transactions contemplated hereunder including (but not limited to) the allotment and issue of the Subscription Shares and the issue of the Notes and the Conversion Shares upon exercise of the conversion rights attaching to the Notes in accordance with the terms of this Agreement;

(ii) the Disposal Agreement and the transactions contemplated thereunder which would constitute a special deal under the Takeovers Code, connected and major transaction under the GEM Listing Rules; and

(iii) the Whitewash Waiver;

(b) the grant by the Executive of his consent pursuant to Note 4 of Rule 25 of the Takeovers Code in relation to the entering into of the Disposal Agreement and the transactions contemplated thereunder;

(c) the Executive granting the Whitewash Waiver;

(d) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares upon the exercise of the conversion rights attaching to the Notes (and such permission and listing not subsequently being revoked prior to the delivery of the share certificates for the Subscription Shares and the Note Certificate);

(e) the Disposal Agreement having become unconditional in accordance with the terms thereof (other than condition that this Agreement has to become unconditional);

(f) no indication having been received on or before the Completion Date from the Stock Exchange or the SFC to the effect that the listing of the Shares may be withdrawn or objected to for any reason other than an inadequate percentage of the issued Shares being in public hands following the Completion (the **"Excluded Event"**) and no other event (other than the Excluded Event) having arisen which may adversely affect the listing status of the Company on the Stock Exchange;

(g) the Warranties remaining true and accurate in all material respects and not misleading in any material respect; and

(h) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of this Agreement having been obtained by the respective Parties.

6.2 The Subscriber may in its absolute discretion waive the Conditions Precedent referred to in Clauses 6.1(g) and (h) at any time by notice in writing to the Company.

6.3 (a) The Company shall use its best endeavours to procure the fulfilment of the Conditions Precedent referred to in Clause 6.1 (except the Condition referred to in Clauses 6.1(h) to the extent that such consents, approvals and authorisations are required to be obtained by the Subscriber thereof) on or before the Long Stop Date.

(b) The Subscriber shall use its best endeavours to procure the fulfilment of the Conditions Precedent in Clause 6.1(h) (in so far as such consents, authorisations and approvals are required to be obtained by the Subscriber) and shall provide all necessary assistance to the Company in connection with the fulfilment of the Conditions Precedent referred to in Clauses 6.1(b) and (h).

6.4 Subject to Clause 6.5, in the event that not all of the Conditions Precedent are fulfilled, or waived by the Subscriber pursuant to Clause 6.2 (as the case may be) by the Long Stop Date,

(a) none of the Parties shall be bound to proceed with the subscription and issue of Subscription Shares and the Notes; and

(b) this Agreement shall be automatically terminated forthwith and cease to be of any effect except this Clause 6.4 and Clauses 1, 6.5, 7.5, 8.2, 9, 10, 12 and 19 which shall remain in force, whereupon the Parties shall have no claim against each other arising out of or in connection with this Agreement and save in respect of claims arising out of any antecedent breach of this Agreement.

6.5 Subject to Clause 6.6, in the event that Completion does not take place without any fault on the part of the Company, without prejudice to the Company's right to recover the direct and indirect loss from the Subscriber, the Company shall be entitled to forfeit the Deposit as liquidated damages. Neither this Clause nor the exercise by the Company of any right of forfeiture shall preclude or be deemed to preclude the Company from taking other steps or remedies to enforce the Company's rights hereunder or otherwise or prevent the Company from recovering any damages which it may have suffered and the Subscriber shall also forthwith upon demand made by the Company reimburse the Company with all agency fees, legal costs and other expenses incurred by the Company in connection herewith on a full indemnity basis.

6.6 In the event Completion does not take place without any fault on the part of the Company or the Subscriber but by reason of the failure to obtain the necessary consent or approval from the Stock Exchange or the SFC in fulfilment of any of the conditions set out in Clause 6.1 above, the Company shall be entitled to forfeit 50% of the Deposit as liquidated damages.

6.7 In the event Completion does not take place for reasons other than those set out in Clauses 6.5 and 6.6, the Deposit shall be refunded to the Subscriber forthwith.

6.8 The Subscriber hereby confirms to the Company that:

(a) (otherwise than as a result of the entering into of this Agreement) neither the Subscriber nor any of its associates are connected persons of the Company; and

(b) neither the Subscriber nor any parties acting in concert with it have acquired any Shares or any interests therein during the six months immediately prior to 31 July 2007 up to and including the date of this Agreement.

## 7. COMPLETION

7.1 Subject to the continuing fulfilment of the Conditions Precedent or waiver thereof (as the case may be) in accordance with Clause 6.2, Completion shall take place contemporaneously with the Disposal Agreement at the office of the Company's Solicitors at 4:00 p.m. on the Completion Date when all (but not part only) of the events described in Clauses 7.2 and 7.3 shall occur.

7.2 On or before Completion, the Company shall procure that a meeting(s) of its board of Directors is duly convened and held in accordance with the articles of association of the Company approving and authorising the execution and completion of this Agreement and the Transaction Documents, the issue of the Subscription Share and the Notes (and the duly sealed certificates therefor) in accordance with this Agreement, the issue of the Conversion Shares upon conversion of the Notes and the performance of the Company's other obligations under this Agreement.

7.3 At Completion, the Company shall do all (but not part only unless the Subscriber so agrees) of the following:-

(a) deliver to the Subscriber a copy of the minutes of the meeting(s) of its board of Directors certified as true and complete copies of the originals by a Director approving and/or ratifying, among other things, the matters set out in Clause 7.2;

(b) allot and issue the Subscription Shares on terms that they rank pari passu in all respects with the existing issued Shares, including the right to rank in full for all distributions thereafter declared, paid or made by the Company from Completion;

(c) deliver to the Subscriber share certificates in respect of the Subscription Shares or deliver to HKSCC for immediate credit to the Stock Accounts (as defined in the General Rules of CCASS) as notified by the Subscriber at least three Business Day before Completion;

(d) procure the entry in the Note Register of the name(s) of the Subscriber and/or such nominees as referred to in Clause 2.3 directed by the Subscriber as the holder(s) of the Notes, and deliver to or to the order of the Subscriber the Note Certificate(s) (in such denominations as shall have been notified by the Subscriber to the Company at least three Business Days prior to Completion) duly sealed by the Company representing the full amount of the Notes and substantially in the form set out in the Notes;

(e) cause the due and proper appointment (with effect from Completion) of such person(s) as director(s) of the Company and its subsidiaries (excluding the Disposed Group) as may have been notified by the Subscriber to the Company prior to Completion, the resignation of all existing Directors, subject always to the provisions of the Takeovers Code and other applicable laws, rules and regulations;

(f) (subject to sub-clause (e) above) deliver to the Subscriber certified copies of the letters of resignation of the existing directors of the Group (excluding the Disposed Group) as may be required by the Subscriber, executed under seal confirming no claim against the Company and its subsidiaries;

(g) deliver to the Subscriber the Completion Account duly signed by a Director;

(h) deliver to the Subscriber a certified true copy of the approval (whether conditional or otherwise) from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares upon the exercise of the conversion rights attaching to the Notes.

7.4 Subject to the due performance by the Company of its obligations under Clauses 7.2 and 7.3 at Completion, the Subscriber shall pay or cause to be paid to the Company at Completion make or procure the making of payments to the Company or as it may direct in cleared funds in Hong Kong dollars of the Subscription Price and the aggregate amount of the Note Selling Price (less the Deposit paid under Clause 2.5) and such payment shall be made for value on the

Completion Date to such bank account held with a bank in Hong Kong as may be notified by the Company to the Subscriber at least three Business Day before Completion. The Deposit shall be applied pro tanto as satisfaction towards the payment obligation of the Subscriber in relation to the aggregate Subscription Price and the Note Selling Price.

7.5 Without prejudice to any other remedies available to the non-defaulting Party, if in any respect the provisions of Clauses 7.2, 7.3 and 7.4 are not complied with by the relevant Party at Completion, the non-defaulting Party may:

(a) defer Completion to a date not more than 28 days after the Completion Date (and so that the provisions of this Clause 7 shall apply to Completion as so deferred); or

(b) proceed to Completion so far as practicable (without prejudice to the non-defaulting Party's rights hereunder); or

(c) rescind its obligations under this Agreement whereupon this Agreement shall cease to be of any effect (save in respect of this Clause 7.5 and Clauses 1, 6.5, 8.2, 9, 10, 12 and 19 which shall remain in full force and effect) and none of the Parties shall have any claim against the other for any costs, damages, compensation or otherwise.

7.6 (a) As soon as possible on or after the date of this Agreement, the Company and the Subscriber shall jointly release the Announcement.

(b) The Company hereby undertakes to use its reasonable endeavours to procure that, as soon as reasonably practicable, a circular in relation to the Subscription and the Disposal be despatched to the Shareholders within the time limit required under the GEM Listing Rules, the Takeover Codes or such time limit as extended by the Stock Exchange and/or the SFC.

(c) The Parties hereby undertake that they shall each use all reasonable endeavours to supply such information as may be reasonably necessary to be included in the documents to be despatched or the announcements to be issued pursuant to the Takeovers Code and the GEM Listing Rules in connection with the transactions contemplated under the Transaction Documents, take respective responsibility for such information and authorise the publication, despatch and/or release of such documents and announcements.

## 8. EXPENSES AND PAYMENTS

8.1 The Company agrees to pay at Completion all costs and expenses incurred or to be incurred in connection with the issue and delivery of the Subscription Shares and the Notes and the Conversion Shares upon the exercise of the conversion rights attaching to the Notes and to bear all costs and expenses incurred or to be incurred in connection with the listing of the Subscription Shares and the Conversion Shares on the Stock Exchange (including the application therefor).

8.2 Each Party shall bear the costs and expenses of its own legal and other professional advisers incurred in connection with, where applicable, the issue of the Subscription Shares, the Notes and the Conversion Shares upon the exercise of the conversion rights attaching to the Notes, the negotiations in respect of this Agreement and related matters.

## 9. CONFIDENTIALITY

9.1 Subject to Clause 9.2 and to Clause 10, each Party:

(a) shall treat as strictly confidential all information relating to, obtained or received by it as a result of negotiating, entering into or performing its obligations under this Agreement, including all information and documents obtained in connection with any due diligence undertaken in connection with this Agreement which relates to the negotiation of, or the provisions or subject matter of, this Agreement or to the other party ("**Information**"); and

(b) shall not, except with the prior written consent of the other party publish or otherwise disclose to any person any Information.

9.2 Clause 9.1 shall not apply if and to the extent that a party hereto disclosing Information can demonstrate that:

(a) such disclosure is required by law or by any securities exchange or regulatory or governmental body having jurisdiction over it (including but not limited to the Stock Exchange and the SFC) and whether or not the requirement has the force of law, provided that any such disclosure shall be made only after consultation by the Party required to make such disclosure with the other Party; or

(b) the Information concerned was lawfully in its possession (as evidenced by written records) prior to its being obtained or received as described in Clause 9.1(a); or

(c) the Information concerned has come into the public domain other than through its fault.

## 10. ANNOUNCEMENTS

10.1 Subject to Clause 10.2, none of the Parties shall make any announcement concerning the provisions or subject matter of this Agreement or containing any information about the other Party without the prior written approval of the other Party.

10.2 Clause 10.1 shall not apply if and to the extent that such announcement is required by law or by any securities exchange or regulatory or governmental body having jurisdiction over it and whether or not the requirement has the force of law, provided that any such announcement shall be made only after the provision by the party which is required to make such announcement of drafts of such announcement to and consultation with the other party.

## 11. SURVIVAL OF REPRESENTATIONS AND OBLIGATIONS

Subject to Clause 4.9, the representations, warranties, agreements, undertakings and indemnities in this Agreement, other than any Warranty fully performed at Completion, shall continue in full force and effect, despite Completion having been taken place or any investigation made by the Subscriber. The Subscriber confirms on behalf of itself and its associates that in entering into this Agreement, it has not relied on any representation or warranty, assurance, covenant, indemnity, undertaking or commitment which is not expressly set out in this Agreement.

## 12. COMMUNICATIONS

12.1 Any notice (which term shall in this Clause include any other communication) required to be given under this Agreement or in connection with the matters contemplated by it shall, except where otherwise specifically provided, be in writing in the English language.

12.2 Any such notice shall be addressed as provided in Clause 12.3 and may be:

(a) personally delivered, in which case it shall be deemed to have been given upon delivery at the relevant address(es); or

(b) if within Hong Kong, sent by pre-paid post, in which case it shall be deemed to have been given two Business Days after the date of posting; or

(c) if from or to any place outside Hong Kong, sent by pre-paid priority airmail, in which case it shall be deemed to have been given seven Business Days after the date of posting; or

(d) sent by facsimile, in which case it shall be deemed to have been given when despatched, subject to confirmation of uninterrupted transmission by a transmission report, provided that any notice despatched by facsimile after 17.00 hours on any day (local time for the recipient) or otherwise than on a Business Day shall be deemed to have been received at 08.00 hours on the next Business Day.

12.3 The addresses and other details of the Parties referred to in Clause 12.2 are, subject to Clause 12.4, as follows:-

To the Company: Jessica Publications Limited

| | |
|---|---|
| Address: | 28/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong |
| Tel: | (852) 2820 6336 |
| Facsimile No.: | (852) 2810 8613 |
| Attention: | Ms. Cheung Choi Ngor |

To the Subscriber: Hong Bridge Capital Limited

| | |
|---|---|
| Address: | Suite 2703-4, 27/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong |
| Tel: | (852) 2827 8266 |
| Facsimile No.: | (852) 2827 8233 |
| Attention: | Mr. He Xuechu |

12.4 Any Party may notify the other Party of any change to the address or any of the other details specified in Clause 12.3, provided that such notification shall only be effective in accordance with Clause 13.2.

## 13. ASSIGNMENT

No Party to this Agreement may assign or transfer, or purport to assign or transfer, any of its rights or obligations under this Agreement without the prior written consent of the other Party.

## 14. ENTIRE AGREEMENT

This Agreement, together with any documents referred to in it, constitutes the whole agreement between the Parties relating to the issue of the Subscription Shares and the Notes and supersedes and extinguishes any other prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature, whether in writing or oral, relating to the issue of the Subscription Shares and the Notes.

## 15. COUNTERPARTS

This Agreement may be executed in any number of counterparts, which shall together constitute one Agreement. Any Party may enter into this Agreement by signing any such counterpart.

## 16. TIME OF THE ESSENCE

Any time, date or period mentioned in this Agreement may be extended by written agreement between the parties or otherwise as provided herein, but otherwise and except as expressly provided, as regards any time, date or period originally fixed or any time, date or period so extended as aforesaid, time shall be of the essence.

## 17. RELATIONSHIP OF THE PARTIES

Nothing in this Agreement shall constitute, or be deemed to constitute, a partnership between the Parties nor, except as expressly provided, shall it constitute, or be deemed to constitute, any Party the agent of any other Party for any purpose.

## 18. MISCELLANEOUS

18.1 No variation of this Agreement shall be effective unless made in writing and executed by the Parties.

18.2 The rights, powers and remedies provided in this Agreement are cumulative and are not exclusive of any rights, powers or remedies provided by law or otherwise.

18.3 No failure to exercise nor any delay in exercising by any Party any right, power, privilege or remedy under this Agreement shall impair or operate as a waiver thereof. No single or partial exercise of any right, power, privilege or remedy under this Agreement shall prevent any further or other exercise thereof or the exercise of any other right or remedy.

18.4 If any provision of this Agreement shall be held to be illegal, void, invalid or unenforceable under the laws of any jurisdiction affecting any of the Parties or their properties or assets, the legality, validity and enforceability of the remainder of this Agreement in that jurisdiction shall not be affected, and the legality, validity and enforceability of the whole of this Agreement shall not be affected in any other jurisdiction.

18.5 Each Party shall do or procure to be done all such further acts and things, and execute or procure the execution of all such other documents, as the other Parties may from time to time reasonably require, whether on or after Completion, for the purpose of giving to the other Parties the full benefit of all of the provisions of this Agreement.

18.6 Notwithstanding any of the provisions contained in this Agreement, if the Company or the Subscriber shall (for any cause other than the default of the other of them and save as herein provided) fail to complete the issue of, or the subscription of (as the case may be), the Subscription Shares and the Notes in accordance with the terms of this Agreement, that Party not in default may take Proceedings to enforce specific performance of this Agreement or rescind this Agreement. This Clause 18.6 shall not preclude or be deemed to preclude that Party from taking other steps or remedies to enforce its rights under this Agreement or otherwise and recovering, in addition to liquidated damages, damages representing interest paid or lost by them by reason of that other Party's failure. That Party shall not exercise such rights unless it shall have given to that other Party a notice in writing requiring that other Party to remedy the same within fourteen (14) days from the date of receipt of such notice and that other Party has failed to comply with such notice.

## 19. GOVERNING LAW AND JURISDICTION

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

19.2 In relation to any Proceedings, the Parties irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong and waive any objection to Proceedings in such courts on the grounds of venue or on the grounds that Proceedings have been brought in an inappropriate forum. The taking of Proceedings in one or more jurisdictions shall not preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

19.3 Each of the Parties whose name appears in column (1) of Schedule 5 (being those Parties incorporated or resident outside Hong Kong) hereby irrevocably appoints the agent whose name and address are set out against its name in column (2) of Schedule 5 as its agent to receive and acknowledge on its behalf service of any writ, summons, order, judgment or other notice of any Proceedings in Hong Kong arising out of this Agreement. If for any reason the agent appointed above (or its successor) no longer serves as agent of the relevant Party for this purpose, such Party shall promptly appoint a successor agent and notify the other Parties hereto, provided that until a successor has been appointed and notified to the other Parties, service on the outgoing agent shall continue to be effective for the purposes of this Clause 19.3. Each Party set out in column (1) of Schedule 5 agrees that any such legal process shall be sufficiently served on it if delivered to its agent appointed for service as aforesaid at its address set out against its name in column (2) of Schedule 5 or at its address for the time being in Hong Kong whether or not such agent gives notice thereof to such Party.

AS WITNESS the hands of the duly authorised representatives of the Parties as of the date first before written.

## SCHEDULE 1

## PART I: PARTICULARS OF THE COMPANY - JESSICA PUBLICATIONS LIMITED

THE COMPANY

| | |
|---|---|
| Company Number: | CR-111310 |
| Stock Code: | 8137 |
| Address of registered office: | Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands |
| Principal place of business: | Unit C, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong |
| Date and place of incorporation: | 29 June 2001, Cayman Islands |
| Authorised share capital: | HK$1,000,000,000 divided into 1,000,000,000,000 shares of HK$0.001 each |
| Issued share capital: | HK$508,879.716 divided into 508,879,716 shares of HK$0.001 each |
| Directors: | *Executive Directors*<br>Mr. Ng Hung Sang<br>Mr. Ng Yuk Fung, Peter<br><br>*Non-Executive Director*<br>Ms. Ng Yuk Mui, Jessica<br><br>*Independent Non-Executive Directors*<br>Mr. So Siu Ming, George<br>Ms. Poon Oi Lan, Scarlett<br>Mr. Cheng Yuk Wo |
| Secretary: | Mr. Pang Woon Chang |
| Financial year end: | 31 December |
| Auditors: | Messrs. Grant Thornton |
| Registrar and Transfer Office: | Union Registrars Limited<br>Room 1803, Fook Lee Commercial Centre<br>Town Place, 33 Lockhart Road<br>Wanchai<br>Hong Kong |

## PART II: PARTICULARS OF THE SUBSIDIARIES

### (other than the Disposed Group)

| Name | Place of incorporation | Nominal value of issued ordinary share capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Great Ready Assets Limited | British Virgin Islands | US$2 divided into 2 shares of US$1 each | 100 | - | Investment holding |
| Beforward Trading Limited | British Virgin Islands | US$2 divided into 2 shares of US$1 each | - | 100 | Investment holding |
| Superb Taste Company Limited | Hong Kong | HK$2 divided into 2 shares of HK$1 each | - | 100 | Publication of "LISA" magazine and owner of "LISA" trademark |
| Jessica Management Limited | Hong Kong | HK$2 divided into 2 shares of HK$1 each | - | 100 | Provision of administrative services (payroll; tenancy at Unit C, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong) |
| Jessicacode Limited | Hong Kong | HK$2 divided into 2 shares of HK$1 each | - | 100 | Publication of "JESSICACODE" magazine and owner of "JESSICACODE" trademark |
| Clear Success Limited | British Virgin Islands | US$1 divided into 1 share of US$1 each | - | 100 | Dormant |

## PART III: PARTICULARS OF THE DISPOSED GROUP

| Name | Place of incorporation | Nominal value of issued ordinary share capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Jessica Publications (BVI) Limited | British Virgin Islands | US$2 divided into 2 shares of US$1 each | - | 100 | Investment holding |
| Jessica (BVI) Limited | British Virgin Islands | US$2 divided into 2 shares of US$1 each | - | 100 | Investment holding |
| Jessica Beaute Limited | Hong Kong | HK$2 divided into 2 shares of HK$1 each | - | 100 | Investment |
| Jessica Limited | Hong Kong | HK$2 divided into 2 shares of HK$1 each | - | 100 | Publication of "JESSICA" magazine and owner of "JESSICA" trademark |
| Grandpress Limited | Hong Kong | HK$2 divided into 2 shares of HK$1 each | - | 100 | Investment holding |
| 上海南華勃洋商務咨詢有限公司 (Shanghai South China & Boyang Business Consultation Co., Ltd.) | PRC | Registered capital of HK$5,200,000 | - | 55 | Dormant |
| JPR Limited (*note*) | Hong Kong | HK$2 divided into 2 shares of HK$1 each | - | 100 | Dormant |
| Full Bond Enterprises Limited (*note*) | Hong Kong | HK$1 divided into 1 share of HK$1 | - | 100 | investment holding |
| Cathy Success Limited | British Virgin Islands | US$1 divided into 1share of US$1 | - | 100 | Publication of "JESSICA" PRC version magazine |

*Note: held by nominee and trust arrangement*

## SCHEDULE 2

## NOTE CERTIFICATE

Certificate No. [*]

**JESSICA PUBLICATIONS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

**HK$14,700,000 Zero Coupon Convertible Note due [*]**

The note in respect of which this Certificate ("**this Note**") is issued, the identifying number of which is noted above, is in registered form and forms part of a series of convertible notes in the aggregate principal amount of HK$14,700,000 (the "**Notes**") of **JESSICA PUBLICATIONS LIMITED** (the "**Company**") issued pursuant to the memorandum and articles of association of the Company, a resolution of its board of directors passed on [*] 2007 and a resolution of the shareholders of the Company passed on [*] 2007. The Notes are subject to, and have the benefit of, the terms and conditions (the "**Conditions**") set out therein.

The Company hereby certifies that of [ ] (the "**Noteholder**") is, at the date hereof, entered in the register of Noteholders as the holder of this Note in the principal amount of HK$490,000 (Four Hundred and Ninety Thousand Hong Kong dollars). For value received, the Company promises to pay the person who appears at the relevant time on the register of Noteholders as holder of this Note in respect of which this Certificate is issued such amount or amounts as shall become due in respect of this Note and otherwise to comply with the Conditions. The Noteholder is entitled to require the Company to convert the whole or any part(s) of the principal amount outstanding under this Note into ordinary shares in the capital of the Company subject to and in accordance with the Conditions which shall form an integral part of this Certificate.

This Certificate is evidence of entitlement only. Title to the Notes passes only on due registration on the register of Noteholders and only the duly registered holder is entitled to payments on the Notes in respect of which this Certificate is issued.

This Certificate is governed by, and shall be construed in accordance with, the laws of Hong Kong.

GIVEN under the Seal of **JESSICA PUBLICATIONS LIMITED** on [*] 2007.

_____

Director

Secretary/Director

Notes:-

The Notes cannot be transferred to bearer on delivery and is transferable only to the extent permitted by Condition 2 of the Conditions. The Notes must be delivered to the board of directors or secretary of Jessica Publications Limited for cancellation and reissue of an appropriate certificate in the event of any such transfer.

(For endorsement in the event of partial conversion or repayment)

| Date | Amount Converted | Amount Repaid | Amount Outstanding |
|---|---|---|---|

## TERMS AND CONDITIONS

The Notes are in the principal amount of HK$14,700,000 and are issued by and convertible into shares of Jessica Publications Limited (the "**Company**"). The Notes shall be held subject to and with the benefit of the terms and conditions set out below. The words and expressions set out below shall have the meanings attributed to them below unless the context otherwise requires:-

| | |
|---|---|
| "**Adjustment**" | any adjustment which may be made to the Conversion Price pursuant to Condition 7; |
| "**Notes**" | zero coupon convertible notes in the aggregate principal amount of HK$14,700,000 issued pursuant to a resolution of the Directors passed on [*] 2007 and a resolution of the shareholders of the Company passed on [*] 2007, with the benefit of and subject to the Conditions; |
| "**Notes Maturity Date**" | has the meaning ascribed thereto in Condition 1; |
| "**Business Day**" | a day (except Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business; |
| "**CCASS**" | the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited; |
| "**closing price per Share**" | the closing price per Share for one or more board lots of the Shares quoted on the daily quotation list of the Stock Exchange, or, if the Stock Exchange begins to operate on an extended hours basis and does not designate the closing price, then the last trade price of the Shares prior to 4:00 p.m. (Hong Kong time). If such closing price cannot be calculated for the Shares on a particular date on the foregoing bases, the closing price per Share on such date shall be the fair market value as mutually determined by the Company and the Majority Noteholders. If the Company and the Majority Noteholders are unable to agree upon the fair market value of the Shares, then it shall be determined in good faith by an approved merchant bank (as defined in Condition 7.2) or the auditors of the Company for the time being; |
| "**Companies Law**" | the Companies Laws (2004 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time; |
| "**Conditions**" | the terms and conditions attached to or endorsed on the Notes and "**Condition**" refers to the relative numbered paragraph of the Conditions; |

| | |
|---|---|
| **"Conversion Price"** | the price of HK$0.007 per Share, subject to the Adjustment; |
| **"Conversion Rights"** | the rights attached to the Notes to convert the whole or any part(s) of the principal amount into Shares; |
| **"Conversion Shares"** | the Shares to be issued by the Company under the Notes (whether upon exercise by the Noteholders of the Conversion Rights, or otherwise pursuant to the Conditions); |
| **"Events of Default"** | shall have the meaning ascribed thereto in Condition 10; |
| **"Exercise Date"** | a date on which a notice is given pursuant to Condition 8.1 in respect of the exercise of the Conversion Rights in accordance with the Conditions; |
| **"GEM"** | the Growth Enterprise Market of the Stock Exchange; |
| **"GEM Listing Rules"** | the Rules Governing the Listing of Securities on GEM; |
| **"Hong Kong"** | the Hong Kong Special Administrative Region of the People's Republic of China; |
| **"Majority Noteholder(s)"** | the holder(s) of the Notes representing not less than 75% of the principal amount of the Notes outstanding for the time being; |
| **"month"** | is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month provided that if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last day in that later month; |
| **"Noteholder(s)"** | the person(s) who is/are for the time being the registered holder of the Notes; |
| **"Shares"** | the ordinary shares of HK$0.001 each in the share capital of the Company existing on the issue date of the Notes and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) shares or stock resulting from any sub-division, consolidation or re-classification thereof; |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited; |
| **"trading day"** | a day on which the Shares are traded on the Stock Exchange for a minimum of 3 hours and an official closing price per Share is provided by the Stock Exchange; and |

"**HK$**" and "**cents**" Hong Kong dollars and cents, respectively.

The expressions "**Company**" and "**Noteholders**" shall where the context permits include their respective successors and permitted assigns and any persons deriving title under them.

In the Notes, unless the context requires otherwise:-

(a) references to statutory provisions shall be construed as references to those provisions as replaced, amended, modified or re-enacted from time to time;

(b) words importing the singular include the plural and vice versa;

(c) words importing any gender or the neuter include both genders and the neuter;

(d) references to the Notes or any issue document shall be construed as references to such document as the same may be amended or supplemented from time to time; and

(e) Condition headings are inserted for reference only and shall be ignored in construing the Notes.

## 1. Maturity

Subject as provided herein, the Company shall repay the outstanding principal amount of the Notes subject to and in accordance with the Conditions on the date falling 24 months from the date of issue of the Notes (the "**Notes Maturity Date**").

## 2. Status and Transfer

2.1 The obligations of the Company arising under the Notes constitute general, unconditional, unsecured and unsubordinated obligations of the Company, and rank and shall rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws. No application shall be made for a listing of the Notes in any jurisdiction.

2.2 The Notes or any part(s) thereof may be assigned or transferred to any third party subject to compliance of the conditions hereunder and further subject to the conditions, approvals, requirements and any other provisions of or under:-

(a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or their rules and regulations;

(b) the approval for listing in respect of the Conversion Shares; and

(c) all applicable laws and regulations.

2.3 Any assignment or transfer of the Notes shall be in respect of the whole or any part(s) of the outstanding principal amount of the Notes. Title to the Notes passes only upon the issue of a new Notes to the transferee or assignee of the Notes in accordance with Condition 2.5(a)(ii). The Noteholders shall (except as otherwise required by law) be treated as the absolute owner of the Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any

writing on, or the theft or loss of, the Notes) and no person shall be liable for so treating the Noteholders.

2.4 Notwithstanding any other provisions of this Condition 2, if the Notes or any part(s) thereof shall be transferred to any company or other person which is a connected person (as defined in the GEM Listing Rules) of the Company, the Company shall immediately notify the Stock Exchange.

2.5 (a) In relation to any assignment or transfer of the Notes permitted under or otherwise pursuant to this Condition 2:-

(i) the Notes or any part(s) thereof may only be transferred by execution of a form of transfer (the "**Transfer Form**") in the form annexed to the Conditions by the transferor and the transferee (or their duly authorised representatives) or, where either the transferor or transferee is a corporation, under its common seal (if any) and under the hand of one of its officers duly authorised in writing or otherwise executed by a duly authorised officer thereof. In this Condition, "transferor" shall, where the context permits or requires, include joint transferors or can be construed accordingly;

(ii) the Notes must be delivered for cancellation to the Company accompanied by:-

(A) a duly executed Transfer Form;

(B) in the case of the execution of the Transfer Form on behalf of a corporation by its officers, the authority of that person or those persons to do so;

(C) such other evidence as the Company may reasonably require if the Transfer Form is executed by some other person on behalf of the Noteholder(s); and

(D) such other evidence (including legal opinions) as the Company may reasonably require to support that the conditions and requirements of this Condition 2 are satisfied,

and the Company shall, within five (5) Business Days of receipt of such documents from the Noteholder(s), cancel the existing certificate for the Notes and issue a new certificate for the Notes or any part(s) thereof under seal of the Company in respect of the whole or such part(s) of the principal amount of the Notes so transferred, in favour of the transferee or assignee as applicable and (if appropriate) issue to the Noteholder(s) a new certificate for such part of the Notes under seal of the Company in respect of any balance thereof retained by the Noteholder(s); and

(b) the Company shall maintain at such location as it shall from time to time determine and give a full and complete register of the Noteholders, the conversion, cancellation and destruction of the Notes, any replacement certificate issued in substitution for any defaced, lost, stolen or destroyed

certificate and of details of all Noteholders from time to time. The Company shall make available such register to the Noteholders for inspection at all reasonable times.

2.6 Any reasonable legal and other costs and expenses which may be properly incurred by the Company in connection with any transfer or assignment of the Notes or any part(s) thereof or any request therefor shall be borne by the Noteholders.

**3. No Interest**

The Notes does not bear any interest.

**4. Payments**

4.1 All payments by the Company hereunder shall be made in immediately available funds free and clear of any withholdings or deductions for any present or future taxes, imposts, levies, duties or other charges payable by the Company. In the event that the Company is required by law to make any such deduction or withholding from any amount paid, the Company shall pay to the Noteholders such additional amount as shall be necessary so that the Noteholders continues to receive a net amount equal to the full amount which it would have received if such withholding or deduction had not been made.

4.2 All payments by the Company hereunder shall be made, not later than 11:00 a.m. (Hong Kong time) on the due date, by remittance to such bank account in Hong Kong as the Noteholders may notify the Company from time to time.

4.3 If the due date for payment of any amount in respect of the Notes is not a Business Day, the Noteholders shall be entitled to payment on the next following Business Day in the same manner.

4.4 The Company shall not be obliged to make any payment on the redemption of the outstanding principal amount of the Notes until it has received the certificate for the Notes.

**5. Redemption**

5.1 Unless previously converted in accordance with these Conditions, upon presentation on the Notes Maturity Date of the original of the certificate for the Notes to the Company at its address specified in Condition 15, the Notes shall be redeemed by the Company at its principal amount outstanding.

**6. Conversion**

6.1 Subject to Condition 6.3 and receipt by the Company of the documents referred to in Condition 8.1, the Noteholders shall have the right to convert on any Business Day prior to five (5) Business Days prior to the Notes Maturity Date, the whole or any part(s) of the principal amount of the Notes into Shares at any time and from time to time at the Conversion Price provided that such part of the principal amount of the Notes to be converted shall not be less than HK$490,000 at any one time (save that if at any time the principal outstanding amount of the Notes shall be less than HK$490,000, the whole (but not part only) of the principal amount of the Notes may

be converted), so that the number of Shares which fall to be issued (subject to Condition 6.2) shall be calculated by applying the formula:-

$$n = \frac{x}{y}$$

where n = number of Conversion Shares to be issued

x = the whole or such part(s) of the principal amount of the Notes; and

y = the Conversion Price applicable on the relevant Exercise Date.

The Conversion Shares shall be allotted and issued in the name of the Noteholders or if it so directs any of its subsidiaries or holding companies or the subsidiaries of such holding companies pursuant to such conversion and shall be delivered to the Noteholders within five (5) Business Days after the date of presentation of the original certificate for the Notes.

6.2 No fraction of a Share shall be issued on conversion of the Notes. Fractional entitlements shall be ignored and any sum paid in respect thereof shall be retained by the Company for its own benefit. Shares issued upon conversion pursuant to Condition 6.1 shall rank pari passu in all respects with all other existing Shares outstanding as at the Exercise Date and be entitled to all dividends and other distributions, the record date of which falls on a date on or after the date of the conversion notice.

6.3 The Noteholders shall exercise the right of conversion to the extent that the public float of the Company will not be less than 25% of the issued share capital of the Company immediately after such conversion.

## 7. Adjustments

7.1 Subject as hereinafter provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (a) to (g) inclusive of this Condition 7.1, it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:-

(a) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:-

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

where:-

A = the revised nominal amount; and

B = the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

(b) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:-

$$\frac{C}{C+D}$$

where:-

C = the aggregate nominal amount of the issued Shares immediately before such issue; and

D = the aggregate nominal amount of the Shares issued in such capitalisation.

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

(c) If and whenever the Company shall make any Capital Distribution (as defined in Condition 7.2) (except where, and to the extent that, the Conversion Price falls to be adjusted under sub-paragraph (b) above) to the holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:-

$$\frac{E-F}{E}$$

where:-

E = the market price (as defined in Condition 7.2) on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding the date of the Capital Distribution or, as the case may be, of the grant; and

F = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the auditors of the Company for the time being or an approved merchant bank of the portion of the Capital Distribution or of such rights which is attributable to one Share;

Provided that:-

(i) if in the opinion of the relevant auditors of the Company for the time being or an approved merchant bank (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine, and in such event the above formula shall be construed as if F meant the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and

(ii) the provisions of this sub-paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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

(d) If and whenever the Company shall offer to the holders of Shares new Shares for subscription by way of rights, or shall grant to the holders of Shares any options, warrants or other rights to subscribe for or purchase any Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:-

$$\frac{G + \frac{H \times I}{J}}{G + H}$$

where:-

G = the number of Shares in issue immediately before the date of such announcement;

H = the aggregate number of Shares so offered for subscription or so granted for subscription or purchase;

I = the amount (if any) payable for the rights, options or warrants or other rights to subscribe for or purchase each new Share, plus the subscription or purchase price payable for each new Share; and

J = the greater of either the closing price per Share on the trading day immediately prior to such announcement or the Conversion Price in effect immediately prior to the trading day immediately prior to such announcement.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant provided that the adjustment referred to in this sub-paragraph (d) shall not apply if the offer or grant on substantially the same terms is extended to the Noteholders.

(e) (i) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the Total Effective Consideration (as defined below in this sub-paragraph (e)) per Share initially receivable for such securities is less than the greater of either the closing price per Share as at the date of the announcement of the terms of issue of such securities or the Conversion Price in effect immediately prior to the date of the announcement of the terms of issue of such securities (for the purposes of this section (i), the "**Applicable Price**"), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the Total Effective Consideration receivable for the securities issued would purchase at the Applicable Price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities, at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

(ii) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (i) of this sub-paragraph (e) are modified so that the Total Effective Consideration (as defined below in this sub-paragraph (e)) per Share initially receivable for such securities shall be less than the greater of either the closing price per Share as at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription or the Conversion Price in effect immediately prior to the date of announcement of the proposal to modify such rights of conversion or exchange or subscription (for the purposes of this section (ii), the "**Applicable Price**"), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the Total Effective Consideration receivable for the securities issued at the modified conversion or exchange rate or subscription price would purchase at the Applicable Price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price, such adjustment shall take effect as at the date upon which such modification takes effect. A right of conversion, exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to

take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

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

(f) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than the greater of either the closing price per Share as at the date of the announcement of the terms of such issue or the Conversion Price in effect immediately prior to the date of the announcement of the terms of such issue (for the purposes of this sub-paragraph (f), the "**Applicable Price**"), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at the Applicable Price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

(g) If and whenever the Company shall issue Shares for the acquisition of assets at a Total Effective Consideration per Share (as defined below in this sub-paragraph (g)) which is less than the greater of either the closing price per Share as at the date of the announcement of the terms of such issue or the Conversion Price in effect immediately prior to the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by an approved merchant bank or the auditors of the Company for the time being, such adjustment to become effective on the date of issue. For the purposes of this sub-paragraph (g), "**Total Effective Consideration**" shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "**Total Effective Consideration per Share**" shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid.

7.2 For the purposes of this Condition 7:-

"**announcement**" shall include the release of an announcement to the press or the delivery or transmission by telephone, telex or otherwise of an announcement to the Stock Exchange and "**date of announcement**" shall mean the date on which the

announcement is first so released, delivered or transmitted;

"**approved merchant bank**" means a merchant bank of repute in Hong Kong selected by the Company and approved by the Majority Noteholders for the purpose of providing a specific opinion or calculation or determination hereunder or such merchant bank as may be appointed by the President for the time being of The Law Society of Hong Kong upon the request of either the Company or the Majority Noteholders;

"**Capital Distribution**" shall (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall not automatically be so deemed if it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for all financial periods after 31 December 2006 as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each financial period ended 31 December or other financial year end date from time to time adopted by the Company;

"**issue**" shall include allot;

"**market price**" means the average of the closing price per Share for each of the last five (5) Stock Exchange trading days on which dealings in the Shares on the Stock Exchange took place ending on such trading day last preceding the day on or as of which the market price is to be ascertained;

"**reserves**" includes unappropriated profits; and

"**rights**" includes rights in whatsoever form issued.

7.3 The provisions of Condition 7.1 shall not apply to:-

(a) an issue of fully paid Shares upon the exercise of options granted under the share option scheme of the Company in accordance with the GEM Listing Rules for the time being or any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Notes) to acquire Shares (except a rights issue) provided that an adjustment (if required) has been made under this Condition 7 in respect of the issue of such securities or granting of such rights (as the case may be); or

(b) an issue of fully paid Shares by way of capitalisation of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into, or rights to acquire, Shares; or (c) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110% of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the "market value" of a Share shall mean the average of the closing prices for such Stock Exchange trading days on which dealings in the Shares took place (being not less than five such days) as are selected by the Company in connection with determining the basis of allotment in respect of the relevant scrip dividend and

which fall within the period of one (1) calendar month ending on the last Business Day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash.

7.4 Any adjustment to the Conversion Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up.

7.5 Notwithstanding anything contained herein, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this Condition would be less than one cent and any adjustment that would otherwise be required then to be made shall not be carried forward and/or if as a result of such adjustment, the Conversion Price shall fall below the then nominal value of each Share unless Condition 9.4 has been complied with.

7.6 Whenever the Conversion Price is adjusted as herein provided, the Company shall as soon as possible after the relevant adjustment has been determined give notice of the same to the Noteholders (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof).

7.7 Notwithstanding any other provision of this Condition 7, no adjustment shall be made which would (but for this Condition 7.7) result in the Conversion Price being reduced so that on conversion, Shares would fall to be issued at a discount to their nominal value, and in such case an adjustment shall be made to the effect that the Conversion Price shall be reduced to the nominal value of the Shares.

7.8 Any adjustment to the Conversion Price shall not involve an increase in the Conversion Price (except upon any consolidation of the Shares pursuant to Condition 7.1(a)).

7.9 Every adjustment to the Conversion Price shall be certified in writing by the auditors of the Company for the time being or an approved merchant bank (as defined in Condition 7.2).

7.10 The Company shall make available for inspection at its principal place of business in Hong Kong at all times after the effective date of the adjustment in the Conversion Price, and so long as the Notes remains outstanding, a signed copy of the certificate of the approved merchant bank or the auditors of the Company for the time being and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to the adjustment, the adjusted Conversion Price and the effective date thereof and shall, on request, send a copy thereof to the Noteholders.

## 8. Procedure for Conversion and Share Issue

8.1 The Conversion Rights may, subject as provided herein, be exercised on any Business Day, prior to five (5) Business Days prior to the Notes Maturity Date, by the Noteholders delivering a written notice to the Company in accordance with Condition 15 stating the intention of the Noteholders to convert the whole or any part(s) of the

principal amount of the Notes into Shares. Any such conversion notice shall be in the form annexed to the Conditions.

8.2 The Company shall pay all taxes and stamp duty, issue and registration duties (if any) and levies and charges (if any) arising on any conversion.

8.3 (a) The Conversion Shares shall be allotted and issued by the Company, credited as fully paid to the Noteholders or as it may direct, within five (5) Business Days after, and with effect from, the later of the Exercise Date or the date on which the certificate for the Notes is delivered to and received by the Company.

(b) The certificate(s) for the Conversion Shares to which the Noteholder(s) or such person as it/they may direct shall become entitled in consequence of any conversion shall, if the Noteholders so request(s) in the notice, be deposited in the CCASS participant's stock account set out in the notice or in the absence of such request by the Noteholder(s), shall be issued in board lots to the extent possible, with one certificate for any odd lot of Shares arising from conversion and made available for collection at the Company's address specified in Condition 15, in each case, within the five (5) Business Day period provided for in sub-paragraph (a) above, and (if appropriate) the certificate for the Notes with an endorsement thereon by a director of the Company for any balance of the Notes not converted shall be made available for collection at the Company's address specified in Condition 15 within the same period.

**9. Protection of the Noteholders**

9.1 So long as the Notes are outstanding, unless with prior written approval of the Majority Noteholders:-

(a) the Company shall from time to time keep available for issue, free from pre-emptive rights, out of its authorised but unissued capital, sufficient Shares to satisfy in full the Conversion Rights at the Conversion Price and all other rights for the time being outstanding of subscription for and conversion into Shares;

(b) the Company shall not in any way modify the rights attached to the Shares as a class or attach any special restrictions thereto;

(c) the Company shall procure that at no time shall there be in issue Shares of different nominal values;

(d) other than as a result of, or in circumstances where, an offer made to holders of Shares to acquire all or any proportion of the Shares becoming unconditional, the Company shall use its best endeavours to:-

(i) maintain a listing for all the issued Shares on the Stock Exchange; and

(ii) obtain and maintain a listing on the Stock Exchange for all the Conversion Shares issued on the exercise of the Conversion Rights;

and shall forthwith give notice to the Noteholders in accordance with

Condition 15 of the listing or delisting of the Shares by the Stock Exchange;

(e) the Company shall ensure that all Conversion Shares issued upon conversion of the Notes shall be duly and validly issued fully paid and registered;

(f) as soon as possible and in any event not later than five (5) Business Days after the announcement of the full terms of any event which gives rise to adjustments pursuant to Condition 7 (or, if later, as soon as the relevant adjustment thereunder can reasonably be determined), the Company shall give notice to the Noteholders advising it of the date on which the relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising the Conversion Rights pending such date; and

(g) the Company shall comply with and procure the compliance of all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for approval of the issue of the Notes or for the listing of and permission to deal in the Shares issued or to be issued on the exercise of the Conversion Rights and ensure the continued compliance thereof (provided in each case that the Noteholders comply with and satisfies all such conditions).

9.2 If an offer is made to all holders of Shares (or such holders other than the offeror and/or any company controlled by the offeror and/or persons associated or acting in concert with the offeror) to acquire all or a portion of the Shares and such offer comes to the knowledge of the Company, the Company shall forthwith give notice of such offer to the Noteholders and shall use all its reasonable endeavours to procure that a similar offer is extended in respect of the Notes or in respect of any Shares issued on conversion of the Notes during the period of the offer.

9.3 The Company shall procure that no security issued by the Company shall be converted into Shares or exchanged for Shares except in accordance with the terms of issue thereof and that no security issued by the Company without the right to convert into Shares or to be exchanged for Shares shall subsequently be granted such rights.

9.4 The Company shall not do any act or engage in any transaction the result of which, having regard to the provisions of Condition 7, would be to reduce the Conversion Price to below the nominal amount of a Shareunless:

(a) the Articles of Association of the Company shall be in such form, or shall have been altered or added to in such manner, as may be necessary or appropriate to enable the following provisions of this Condition 9.4; and

(b) implementation of such provisions is not prohibited by and is in compliance with the provisions of the Companies Laws.

## 10. Events of default

If any of the following events (**"Events of Default"**) occurs, the Majority Noteholders may give notice to the Company that the Notes, on the giving of such notice, are immediately due and payable at its principal amount then outstanding:-

(a) the listing of the Shares (as a class) on the Stock Exchange:-

(i) ceases; or

(ii) is suspended for a continuous period of twenty one (21) Business Days, on each of which the Stock Exchange is generally open for trading, due to the default of the Company or any of its directors;

(b) the Company defaults in performance or compliance with any of its obligations contained in the Conditions, which breach or default is incapable of remedy or, if capable of remedy, is not remedied within fourteen (14) Business Days after notice of such breach or default is sent from the Majority Noteholders to the Company;

(c) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company or any of its subsidiaries;

(d) the Company becomes insolvent or is unable to pay its debts as they mature or applies for or consents to the appointment of any administrator, liquidator or receiver of the whole or any material part of its undertaking, property, assets or revenues or enters into a general assignment or compromise with or for the benefit of its creditors;

(e) an order is made or an effective resolution passed for winding-up of the Company or any of its material subsidiaries;

(f) the Company defaults in the payment of the principal in respect of the Notes when and as the same ought to be paid and such default is not remedied by the Company within seven (7) Business Days of the due date thereof;

(g) any other debentures, bonds, notes, Notes or other instruments of indebtedness or any other loan indebtedness ("Indebtedness") of the Company or any securities convertible into or exchangeable for shares ("Equity Linked Securities") of the Company become prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or the Company or any of its subsidiaries defaults in the repayment of the Indebtedness or Equity Linked Securities at the maturity thereof or at the expiration of any applicable grace period thereof, or any guarantee of or indemnity in respect of any Indebtedness or Equity Linked Securities of others given by the Company or any of its material subsidiaries shall not be honoured when due and called upon;

provided that notwithstanding the foregoing, if the Company shall fail to issue the Conversion Shares in accordance with the Conditions, the Majority Noteholder shall be entitled to bring an action against the Company for either specific performance or damages. The Company shall forthwith on becoming aware of any such event as is mentioned in this Condition give notice in writing thereof to the Noteholders. At any time after the principal amount of the Notes has become payable, any Noteholder may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

**11. Distribution in Specie**

If the Company declares a distribution in specie other than an issue of Shares in lieu of a cash dividend falling under Condition 7.3(c) (a "**Specie Distribution**") to Shareholders at any time during the period in which the Noteholders can exercise its Conversion Rights, the Noteholders shall, unless an adjustment to the Conversion Price has been made under Condition 7 in respect of the Specie Distribution in full, be entitled to an amount (the "**Specie Distribution Right**") which shall be determined as follows:-

(a) the Company and the Majority Noteholders shall forthwith on the date of announcement of the Specie Distribution instruct an approved merchant bank (as defined in Condition 7.2) or the auditors of the Company for the time being to value the Specie Distribution which would have been payable to the Noteholders on the Shares falling to be issued if the Noteholders had exercised its Conversion Rights immediately prior to the record date for the Specie Distribution in respect of the whole or any part(s) of the principal amount of the Notes then outstanding (the "**Notional Specie Distribution**"); and

(b) upon the determination by the approved merchant bank or the auditors (for the time being) of the valuation of the Notional Specie Distribution (which valuation shall be final and binding on both the Company and the Noteholders), the Company shall pay a cash amount equal to the value of the Notional Specie Distribution to the Noteholders.

## 12. Voting

The Noteholders shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the Noteholders.

## 13. Experts

In giving any certificate or making the Adjustment, any approved merchant bank (as defined in Condition 7.2) or independent auditors appointed shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on the Company and the Noteholders and all persons claiming through or under them respectively.

## 14. Replacement Notes

14.1 If the certificate for the Notes is lost or mutilated, the Noteholders shall notify the Company as soon as practicable and a replacement certificate shall be issued if the Noteholders provide the Company with a declaration by the Noteholders or its/their officer that the certificate for the Notes had been lost or mutilated (as the case may be) or other evidence that the certificate for the Notes had been lost or mutilated, together with the mutilated certificate for the Notes (if applicable) and an appropriate indemnity in such form and content as the Company may reasonably require.

14.2 The certificate for the Notes replaced in accordance with this Condition shall forthwith be cancelled.

## 15. Notices

Any notice required or permitted to be given by delivering it to the party:-

(a) in the case of the Noteholders, at the following address or facsimile number:-

Suite 2703-4, 27/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Facsimile : (852) 2827 8233
Attention : The Board of Directors

(b) in the case of the Company, at the following address or facsimile number:-

Unit C, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong
Facsimile : (852) 2556 0426
Attention : The Board of Directors

or to such other Hong Kong address or facsimile number as the Company may have notified to the Noteholders or vice versa pursuant to this Condition 15 and may be given by sending it by registered post or by hand to such address or facsimile number or to such other address or facsimile number as the party concerned may have notified to the other parties in accordance with this Condition and such notice shall be deemed to be served on the day of delivery (or on the immediately following Business Day, if the day of delivery is not a Business Day or if the delivery or transmission is made after 5:00 p.m. (Hong Kong time)), or in the case of registered post 48 hours after posting, or if sooner upon acknowledgement of receipt by or on behalf of the party to which it is addressed, or if given or made by facsimile, when despatched with confirmation of successful transmission (and if the deemed date of delivery is not a Business Day, on the immediately following Business Day). Acknowledgement in writing of receipt of a notice by or on behalf of a party, signed or initialled by any employee of such party, shall be evidence that such notice has been duly served in accordance with this Condition.

## 16. Amendment

The terms and conditions of the Notes may be varied, expanded or amended by agreement in writing between the Company and the Majority Noteholders under the Notes from time to time.

## 17. Governing law and jurisdiction

The Notes are governed by and shall be construed in accordance with Hong Kong law and the Company and the Noteholders agree to submit to the non-exclusive jurisdiction of the courts of Hong Kong in connection herewith.

CONVERSION NOTICE

*[To be attached to the Conditions]*

Terms defined in the certificate for the HK$[*] million zero coupon Notes due [*] issued by Jessica Publications Limited (the "**Notes**") (as may be amended from time to time) shall bear the same meanings in this Conversion Notice.

The undersigned hereby irrevocably elects to convert the following amount of the Notes into shares of HK$0.001 each in Jessica Publications Limited in accordance with the terms and conditions of the Notes and the terms below.

Amount to be converted: HK$[*] (in denomination of HK$490,000)
(the certificate of the Notes must be attached to this Conversion Notice)

Balance Amount : HK$[*] (in denomination of HK$490,000)

(a certificate in respect of the Notes representing the outstanding principal amount (after deducting the Conversion Amount) shall be issued by the Company upon presentation and cancellation of the existing Certificate)

Name of Noteholder:_____

Exercise Date:_____
(the date on which this Conversion Notice is given, or deemed to be given, by the Noteholder)

Applicable Conversion Price:_____

Name in which Shares are to be issued:_____

Address of Shareholder:_____

Signature of Noteholder:_____

FORM OF TRANSFER

*[To be attached to the Conditions]*

To: Jessica Publications Limited (the "**Company**")

We are the holder of HK$[*] in aggregate principal amount of the HK$[*] million zero coupon Notes due [*] (the "**Notes**") issued by the Company on [*] 2007.

References in this Transfer Form to "**Conditions**" are to the terms and conditions on which the Notes was issued, as the same may have been amended from time to time pursuant to the terms thereof. Terms defined in the Conditions will have the same meanings herein, save where the context otherwise requires.

1. We hereby transfer [all/part] of the Notes registered in our name in the Register to:-

_____

of/whose registered office address is at*

_____

_____

_____

(the "**Transferee**")

2. Total principal amount and Certificate number of the transferred Notes:-

Total principal amount to be transferred _____

Certificate number of Certificate for the Notes being transferred _____

[3. + Total principal amount of the Notes to be retained:-

Total principal amount to be retained _____]

4. We hereby request that a Certificate in respect of the transferred Notes (as referred to in paragraph 2 above) be issued to the person(s) whose name(s) and address(es) are set out in paragraph 1 above and that such Certificate:-

* (a) be despatched by registered mail to the person whose name and address are given below and in the manner specified below:-

Name : _____

Address : _____

_____

_____

Manner : _____

* (b) if no name and address are given in (a) above, be made available for collection at the office of the Company referred to for that purpose in the Conditions.

5. The Certificate in respect of the transferred Notes (as referred to in paragraph 2 above) is enclosed with this Transfer Form.

[6. + We hereby request that a Certificate in respect of the Notes to be retained by us as set out in paragraph 3 above be issued to the person(s) whose name(s) and address(es) is/are set out below:-

Name : _____

Address : _____

_____

_____

and that such Certificate:-

* (a) be despatched by registered mail to the person whose name and address are given below and in the manner specified below:-

Name : _____

Address : _____

_____

_____

Manner : _____

* (b) if no name and address are given above, then such certificate will be made available for collection at the office of the Company specified or referred to for that purpose in the Conditions.]

[7. The registered account of the Transferee (being a HK$ account) for the purposes of receipt of principal and any other amounts in respect of the Notes are (unless otherwise instructed by the Transferee) as follows:-

Name of Account : _____

Account No : _____

Sort Code : _____

Name of Bank : _____

Address of Bank : _____

_____]

* *delete as appropriate*

\+ *complete if only transferring part of the Notes of which the transferring Noteholder is the holder, otherwise delete.*

Name of Transferor : _____

Signature of Transferor : _____

Date : _____

Name of Transferee : _____

Signature of Transferee : _____

Date : _____

## SCHEDULE 3

## REPRESENTATIONS AND WARRANTIES

Preliminary

Unless the context otherwise requires, the representations and warranties contained in Part II of this Schedule in relation to the "**Company**" shall be deemed to be and are hereby repeated mutatis mutandis in relation to each of JPL and the Subsidiaries. The "**Group**" shall mean JPL and the Subsidiaries (and for the avoidance of doubt, excluding the Disposed Group, unless otherwise indicated), and "**member(s) of the Group**" or "**Group Company(ies)**" shall be construed accordingly.

The Company hereby warrants and represents to and for the benefit of the Subscriber in the following terms, subject to the matters and/or information as Disclosed or as contemplated by this Agreement or any of the Transaction Documents.

**Part I: Warranties in relation to the Subscription Shares, the Notes and the Company**

1. Validity of this Agreement and the other Transaction Documents

   This Agreement has been duly authorised, executed and delivered by the Company and constitutes, and the other Transaction Documents have been or shall be on or prior to the Completion Date duly authorised, executed and, where applicable, delivered by the Company and on the Completion Date shall constitute, valid, legally binding and enforceable obligations of the Company.

2. Validity of the Subscription Shares and the Conversion Shares

   The Company shall at all times have sufficient authorised but unissued share capital for the Company to issue the Subscription Shares and perform its obligations under the Notes (to the extent unredeemed and unconverted) and the Subscription Shares and the Conversion Shares, as the case may be, when issued, shall be duly authorised and shall rank pari passu in all respects with all other Shares in issue at the date of issue or conversion and be entitled to all dividends and distributions for which the record date is on or after the date of the relevant issue or conversion notice. The Subscription Shares shall represent approximately 85.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

3. No other action required

   No action, step or measure is required to be taken, fulfilled or done (including, but not limited to, the obtaining of any consent or licence) for the issue of the Subscription Shares and the Notes or the Conversion Shares, the carrying out of the other transactions contemplated by this Agreement or the compliance by the Company with the terms of the Notes and this Agreement, except for the approval from the Stock Exchange and (if required) permission from competent government authority in the Cayman Islands, all of which shall have been obtained and shall be in full force and effect prior to the Completion Date.

4. Compliance

   Subject to the fulfilment of the Conditions Precedent, the execution and delivery of this Agreement, the issue of the Subscription Shares and the Notes, the carrying out of the other transactions contemplated by this Agreement and compliance with their terms do not and shall not (A) conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the documents constituting any member of the Group (excluding

the Disposed Group) or any indenture, trust deed, mortgage, guarantee, loan or other agreement or instrument to which any member of the Group (excluding the Disposed Group) is a party or by which any member of the Group (excluding the Disposed Group) or any of its properties or assets are bound or affected; or (B) infringe any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over any member of the Group (excluding the Disposed Group) or any of its respective properties or assets;

5. Event of Default

No event has occurred or circumstance arisen which, had the Subscription Shares and the Notes already been issued, would (whether or not with the passing of time, the giving of notice, the fulfilment of any other requirement(s), or any combination thereof) constitute an Event of Default.

6. Capacity

The Company has the full power to enter into and perform this Agreement and this Agreement constitutes legal, valid and binding obligations on the Company in accordance with its terms.

**Part II: Warranties in relation to the Group**

1. Incorporation and Corporate Matters

(A) The Company is (i) duly incorporated and validly existing under the laws of its place of incorporation, with full power and authority and legal right to own its assets and carry on its business as presently conducted and it is not in receivership or liquidation, it has not taken any steps to enter liquidation and no petition has been presented for winding up of the Company and there are no grounds on which a petition or application could be based for the winding up or appointment of a receiver of the Company; and (ii) is lawfully qualified to do business in those jurisdictions in which it conducts business.

(B) The details relating to the capital structure of the Company set out in Schedule 1 are true, complete and accurate in every respectas at the date of this Agreement. The Shares constitute the only class of issued shares in the capital of the Company. All information contained in the Recitals and Schedules is true and accurate.

(C) JPL has no subsidiaries or shares in any company other than the Subsidiaries as disclosed in Part II of Schedule 1 immediately upon Completion. The Company does not own and has no agreement to acquire any equity, securities, or partnership interests of any corporation, partnership, or other entity.

(D) Save as this Agreement and the Share Option Scheme, there are no options or other agreements outstanding which call for the issue of or accord to any person, the right to call for the issue of any loan or share capital of the Company or the right to require the creation of any mortgage, charge, pledge, lien or other security or encumbrance over the unissued share capital of the Company. The Company has not granted any options under the Share Option Scheme other than the Options which shall all expire on 2 September 2012.

(E) The copies of the constitutional documents of the Company (or equivalent constitutional documents) which have been produced to the Subscriber are accurate

and complete in all respects and have attached to them copies of all resolutions and agreements which are required to be so attached. The Company has complied with its Articles of Association (or equivalent constitutional documents) in all material respects and none of the activities, agreements, commitments or rights of the Company is ultra vires or unauthorised.

(F) The register of members and all other statutory books of the Company are up to date and contain true, full and accurate records of all matters required to be dealt with therein and all annual or other returns and charges in favour of the Company required to be filed or otherwise registrable with the relevant companies registry and other applicable authorities have been properly filed within any applicable time limit and all legal requirements relating to the formation of the Company and the issue of securities of the Company have been complied with in all material respects.

(G) The Company has at all times carried on and shall until Completion carry on its business in compliance in all material respects with the GEM Listing Rules, the Companies Ordinance, the Companies Law and all applicable laws and regulations and, without prejudice to the generality of the foregoing. The Company is not in breach in any respect of any material contracts by which it is bound. Neither the Company nor any of its officers is the subject of any official investigation or inquiry by the Stock Exchange, SFC or other regulatory authorities and the Company are not aware of any facts which are likely to give rise to any such investigation or inquiry. Neither the Company, nor any of its officers in relation to the Company, has committed any criminal offence or any tort or any breach of the requirements or conditions of any statute, treaty, regulation or other obligation relating to the Company or the carrying on of its business.

(H) To the best knowledge of the Company, 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 in all material respects and so filed or delivered.

2. Accounts

The Accounts have been prepared in accordance with the requirements of all relevant statutes and with generally accepted accounting principles and practice consistently applied and show a true and fair view of the state of affairs of the Group (including the Disposed Group) and of its results for the financial year ended on the Accounts Date and:

(A) the bases and policies of accounting of the Company (including depreciation) adopted for the purpose of preparing the Accounts are the same as those adopted for the purpose of preparing the Accounts for each of the three (3) preceding accounting years, save for the changes as required by Hong Kong Institute of Certified Public Accountants ;

(B) Since the Accounts Date, there has not been any Material Adverse Change in the business, operation, assets, or condition of the Company and no event has occurred that may result in such a Material Adverse Change.

At the Accounts Date, the Company had no material 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.

3. Management Accounts and Completion Account

The Management Accounts have been prepared in accordance with generally accepted accounting principles and practice consistently applied in Hong Kong and give a true and fair view of the state of affairs of the Group as at 30 June 2007. The Completion Account has been prepared in accordance with generally accepted accounting principles and practice consistently applied in Hong Kong.

4. Matters since the Accounts Date

Since the Accounts Date, the Company has carried on its business lawfully and in the ordinary and usual course of business so as to maintain it as a going concern and since the Accounts Date, there has been no Material Adverse Change. Since the Accounts Date, the Company has not acquired or disposed of or agreed to acquire or dispose of any material assets or assumed or incurred or agreed to assume or incur any material liabilities (actual or contingent) otherwise than in the ordinary course of business .

5. Trading and general commercial matters

(A) The Company has good and marketable title to all property and assets used in its business free from any liens, mortgages, charges, encumbrances or other third party rights and the same are in a good state of repair and condition.

(B) The Company has no liabilities except liabilities arising in the ordinary course of business under purchase orders, supply contracts, sale contracts, or other liabilities referred to in the Accounts.

(C) Without limiting the foregoing, there are no loans, guarantees, pledges, mortgages, charges, liens, debentures, encumbrances or unusual liabilities given, made or incurred by or on behalf of the Company (and, in particular, but without limiting the foregoing, no loans have been made by or on behalf of the Company to any directors or shareholders of the Company) except those referred and disclosed to in the Accounts.

(D) The Company is not in default under any agreement to which it is a party or by which it is bound.

(E) The books and records of the Company fairly present and reflect in accordance with generally accepted accounting principles and standards within the Company's jurisdiction of incorporation all transactions entered into by the Company or to which it has been a party.

(F) The Company has at all times carried on its business in compliance with all applicable laws and regulations in all material respects and neither the Company, nor any of its officers or employees, has committed any criminal offence or any tort or any breach of the requirements or conditions of any statute, treaty, regulation, bye-law or other obligation relating to the Company or the carrying on of its business and without prejudice to the generality of the foregoing the Company has obtained all licences, consents, approvals and permissions necessary for the carrying on of its business, and so far as the Company is aware, all such licences, consents, approvals and permissions are valid and subsisting.

(G) The Company has not done anything whereby the continuance of any overdrafts, loans or other financial facilities outstanding or available to the Company which are in full force and effect might be affected or prejudiced.

(H) Except as disclosed in the Accounts, no guarantee is provided by the Company.

6. Possession of Assets and Third Party Facilities

(A) All of the assets owned by the Company, or in respect of which the Company has a right of use are in the possession or under the Control of the Company. Each asset included in the Accounts shown to be owned by the Company or acquired by the Company since the Accounts Date is legally and beneficially owned by the Company free from any mortgage, charge, lien, encumbrance or any other third party rights whatsoever.

(B) Where any assets are used but not owned by the Company or any facilities or services are provided to the Company by any third party, so far as the Company is aware, there is no event having occurred which may entitle any third party to terminate any agreement or licence in respect of the provision of such facilities or services (or any event or circumstance which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute such an event or circumstance).

7. Adequacy of Assets

(A) The assets of the Company and the facilities and services to which the Company has a contractual right include all rights, properties, assets, facilities and services required for the carrying on of the business of the Company in the manner in which it is currently carried on.

(B) The Group does not depend in any material respect upon the use of assets (other than real properties used by the Group as tenant) owned by, or facilities and services provided by any third party.

(C) All equipment which is material to the operation or business of the Company are in good condition (subject to normal fair wear and tear) and working order and have been regularly and properly maintained.

8. Litigation

(A) The Company is not involved whether as plaintiff or defendant or otherwise in any civil, criminal or arbitration proceedings (apart from debt collecting in the ordinary course of business) or in any proceedings of whatever nature before any tribunal or panel and no such proceedings are threatened or pending.

(B) So far as the Company is aware, there are no facts or circumstances which are likely to result in any such proceedings being brought by or against the Company or against any person for whose acts or defaults the Company would be vicariously liable.

(C) There is no unsatisfied judgement, court order or tribunal or arbitral award outstanding against the Company and no distress, execution or process has been levied on any part of its business or assets.

9. Confidential Information and Intellectual Property

(A) In this paragraph, "**Confidential Information**" means all know-how, lists of customers or suppliers, trade secrets, technical processes or other confidential information belonging to the Company or to any third party, as the case may be.

(B) The Company does not use any processes and is not engaged in any activities which involve the misuse of any Confidential Information belonging to any third party, where such misuse has or may have a material effect on the operations/financial conditions of the Group as a whole.

(C) All Intellectual Property which is material to the Group taken as a whole and used in the business or businesses of the Company:

(a) is or shall at Completion be owned by the Company as the sole legal and beneficial owner, free of any licence or encumbrance in favour of a third party (the "**Company's Intellectual Property**"); or

(b) is used by the Company in accordance with the terms of a current licence from the owner of that Intellectual Property.

(D) All of the Company's Intellectual Property which is material to the Group taken as a whole has, where applicable, been registered with the appropriate authorities and bodies and each of those registrations is valid.

(E) The carrying on of the Company's business or businesses as presently constituted does not require any licences or consents from, or the making of royalty or similar payments to, any third party and the Company does not use or need to use any processes and is not engaged in any activities which infringe any Intellectual Property belonging to any third party, nor has the use of Intellectual Property rights by the Company has infringed any Intellectual Property rights of any other third party.

10. Taxation

(A) The returns and relevant supporting documents for Taxation purposes which ought to have been made by or in respect of the Company, as required by the applicable laws and regulations, have been made and all such returns are up to date, correct, comply with the relevant tax laws and regulations, and on a proper basis in all material aspects and are not the subject of any dispute with the relevant revenue or other appropriate authorities and there are no present circumstances which may give rise to any such dispute and further the provisions included in the Accounts were sufficient to cover all Taxation in respect of all accounting periods ended on or before the Accounts Date for which the Company is liable.

(B) The Company has accrued or paid all Taxation for which it is liable to withhold and pay to the relevant revenue department or other fiscal authority and the due date for the payment of which fell prior to the date of this Agreement, and the Company is under no liability to pay any penalty or late payment surcharge in connection therewith, and without prejudice to the generality of the foregoing the Company has made all deductions and withholdings in respect or on account of Taxation which it is required or entitled by any relevant legislation to make from any payments made by it including, but not limited to, interest, annuities or other annual payments, royalties, rent, remuneration payable to non-residents and where appropriate the Company has accounted in full to the relevant fiscal authority for any Taxation so deducted or withheld.

11. Insurance

The Company has effected all insurances required by law to be effected by it.

12. Power of Attorney

The Company has given no powers of attorney and no other authority express, implied or ostensible which is still outstanding or effective to any person to enter into any contract or commitment to do anything on its behalf other than the authority of employees to enter into routine trading contracts in the normal course of their duties.

13. Employment Matters

(A) All information supplied to the Subscriber regarding the employees of the Company is true, accurate and complete in allmaterial respects.

(B) Save for the Share Option Scheme, there are no share option or share incentive or similar schemes for any employees or directors of the Company and the Company has no obligation (whether legally binding or established by custom) to pay any pension or make any other payment after retirement or death to or in respect of any person who is now or has been an officer or employee of the Company and a party to any scheme or arrangement having as its purpose or one of its purposes the making of payments or the provision of benefits as aforesaid.

14. Property

(A) The Company does not own any land, property or building in Hong Kong, or any other parts of the world.

(B) The Leased Properties comprise all the land and premises occupied by the Group at the date hereof and all the interest and right whatsoever of the Group in, under, over or in respect of any premises and the descriptions set out in Schedule 4 are correct and not misleading.

15. Computer Systems

The Company is entitled to use and, where necessary, to grant sub-licences to third parties to use the Software (as defined below) pursuant to licences granted to the Company by the owner or licensee of such Software.

16. Accuracy of Information Provided

(A) All information contained in this Agreement and the Disclosure Letter is true and accurate in all respects. The Company has disclosed to the Subscriber all relevant information and documents as requested by the Subscriber in relation to the Company and the transactions contemplated by this Agreement and no information has been withheld from the Subscriber which may cause any of the Warranties to be misleading or inaccurate in any material respect. The Company acknowledges that the Subscriber has agreed to enter into this Agreement in reliance upon the Warranties given by the Company.

(B) There are no facts or circumstances in relation to the assets, business or financial condition of the Group which are material in the context of the subscription of the Notes by the Subscriber and which have not been fairly disclosed in writing to the Subscriber.

17. General

(A) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby shall not result in the breach or cancellation or termination of any of the terms or conditions of or constitute a default under any agreement, commitment or other instrument to which the Company is a party or by which the Company or its property or assets may be bound or affected or violate any law or any rule or regulation of any administrative agency or governmental body or any order, writ, injunction or decree of any court, administrative agency or governmental body affecting the Company.

(B) No consent, approval, order, or authorisation of, or registration, declaration, or filing with, any governmental authority is required in connection with the execution and delivery of this Agreement by the Company, or the consummation of the transactions contemplated hereby. No consent of any third party is necessary to permit the consummation of the transactions contemplated hereby.

## SCHEDULE 4

## THE LEASED PROPERTIES

**N/A**

## SCHEDULE 5

## PROCESS AGENTS

| Column (1) | Column (2) |
|---|---|
| **Party** | **Agent** |
| Hong Bridge Capital Limited | He Xuechu of Suite 2703-4, 27/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong |

**EXHIBIT A**

**ANNOUNCEMENT**

**EXECUTION PAGE**

**SIGNED** by CHEUNG CHOI NGOR )
)
for and on behalf of )
**JESSICA PUBLICATIONS LIMITED** )
in the presence of :- )

Tso Pok Ki
Solicitor
SIDLEY AUSTIN
Hong Kong SAR

*For and on behalf of*
**Jessica Publications Limited**

.....
*Authorised Signature(s)*

**SIGNED** by HE XUECHU )
)
for and on behalf of )
**HONG BRIDGE CAPITAL LIMITED** )
in the presence of :- )

Chan Tsui Yan Jo
Solicitor
Kirkpatrick & Lockhart Preston Gates Ellis
Hong Kong SAR

For and on behalf of
Hong Bridge Capital Limited
洪橋資本有限公司

.....
*Authorised Signature(s)*