

EXECUTION VERSION

Dated the 26th day of January 2023

CA CULTURAL TECHNOLOGY GROUP LIMITED
(華夏文化科技集團有限公司)
(as Company)

and

KYOSEI BANK CO., LTD.
(as Subscriber)

SUBSCRIPTION AGREEMENT
relating to
HK\$160,942,240 zero coupon
Convertible Bonds due 2026 issued by
CA Cultural Technology Group Limited



THIS AGREEMENT is dated the 26th day of January 2023

BETWEEN:

- (1) **CA CULTURAL TECHNOLOGY GROUP LIMITED (華夏文化科技集團有限公司)**, an exempted company incorporated in the Cayman Islands with registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and a registered non-Hong Kong company having its principal place of business in Hong Kong at Suites 2905, 29/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, whose shares are listed on The Stock Exchange of Hong Kong Limited with stock code 1566 (**Company**); and
- (2) **KYOSEI BANK CO., LTD.**, a company established under the laws of Japan and having its registered office at 5F, 7th Akiyama Building, 5-3 Kojimachi, Chiyoda Ku, Tokyo, Japan (**Subscriber**).

WHEREAS:

- (A) The Company was incorporated as a limited liability company in the Cayman Islands and registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).
- (B) As at the date of this Agreement, the Company has an authorised share capital of HK\$500,000,000 divided into 5,000,000,000 existing ordinary shares of HK\$0.1 each (**Existing Shares**), of which 1,182,042,000 Existing Shares have been issued and fully paid and are listed on the Main Board of the Stock Exchange (as defined below). Details of which are set out in column A of the table in Appendix A.
- (C) As part of the proposed debt restructuring of the Company (**Proposed Restructuring**), it is proposed that, conditional upon fulfillment of the Capital Reorganisation Conditions Precedent (as defined below), the Company will implement the capital reorganisation, which will comprise:
 - (I) share consolidation: every ten (10) issued Existing Shares of par value HK\$0.10 each in the share capital of the Company will be consolidated into one (1) issued consolidated share of par value HK\$1.00 each, and the total number of issued consolidated shares will become 118,204,200, details of which are set out in column B of the table in Appendix A;
 - (II) increase in authorised share capital: following the share consolidation having become effective, the authorised share capital of the Company will increase from HK\$50,000,000 divided in to 500,000,000 shares of par value HK\$0.10 each to HK\$10,000,000,000 divided into 10,000,000,000 new consolidated shares of par value HK\$1.00 each by the creation of additional 9,500,000,000 new consolidated shares; and
 - (III) capital reduction: following the share consolidation having become effective,



the share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.99 on each of the then issued consolidated shares such that the par value of each issued consolidated share will be reduced from HK\$1.00 to HK\$0.01.

(the actions set out in paragraphs (I) to (III) above are collectively referred to as **Capital Reorganisation**)

After the Capital Reorganisation having become effective, assuming there is no further change in share capital of the Company from the date of this Agreement and up to the effective date of the Capital Reorganisation, the Company will have an authorised share capital of HK\$10,000,000,000 divided into 1,000,000,000,000 New Shares (as defined below) of HK\$0.01 each, of which 118,204,200 New Shares (as defined below) will have been issued and fully paid.

- (D) The Company has conditionally agreed to issue under the Specific Mandate (as defined below), and the Subscriber has conditionally agreed to subscribe for, the Bonds subject to and in accordance with this Agreement. The Conversion Shares, after exercising in full the conversion rights attached to the Bonds, will represent approximately 56.19% of the total number of issued shares of the Company as enlarged by the issuance of the subscription shares pursuant to the Share Subscription (as defined in paragraph (E) below), the issuance of 59,000,000 Creditors' Shares (as described in the Share Subscription Agreement defined in paragraph (E) below) and the issuance of such Conversion Shares. Details of which are set out in column D of the table in Appendix A.
- (E) Furthermore, pursuant to a share subscription agreement (**Share Subscription Agreement**) entered into between the Company and the Subscriber on the date of this Agreement, the Company has conditionally agreed to allot and issue under the Specific Mandate (as defined below), and the Subscriber has conditionally agreed to subscribe for, 530,800,000 New Shares (**Share Subscription**).

IT IS AGREED as follows:

1. INTERPRETATION

- 1.1 In this Agreement (including the recitals and the Schedules), the following expressions shall, unless the context otherwise requires, have the following meanings:

Announcement means the announcement to be made by the Company in connection with the issue of the Bonds in the agreed form;



Articles	means the articles of association of the Company as amended from time to time;
Associate	has the meaning given to it in the Listing Rules;
Board	means the board of Directors;
Bond Instrument	means the deed to be executed by the Company constituting the Bonds, in the form set out in <u>Appendix B</u> ;
Bond Register	means the register of holders of the Bonds which shall be maintained by the Company in accordance with the requirements of the Bond Instrument;
Bonds	means the HK\$ convertible bonds due 2026 in the aggregate principal amount of HK\$160,942,240 zero coupon to be issued by the Company subject to, and with the benefit of, the Bond Instrument and the Conditions;
Business Day	means a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted or remains hoisted in Hong Kong at any time between 9:00 am and 5:00 pm);
Capital Reorganisation	has the meaning given to it in paragraph (C) of the Recitals;
Capital Reorganisation Conditions Precedent	means the conditions precedent for the Capital Reorganisation, including: <ul style="list-style-type: none"> (i) the special resolutions in relation to the Capital Reorganisation having been passed by the Shareholders at the general meeting; (ii) the Grand Court of the Cayman Islands granting an order confirming the capital reduction; (iii) compliance with any conditions which the Grand Court of the Cayman Islands may impose in relation to the capital reduction; (iv) registration by the Registrar of Companies in the

Cayman Islands of the order of the Grand Court of the Cayman Islands confirming the capital reduction and a minute approved by the Grand Court of the Cayman Islands containing the particulars required under the Companies Law of the Cayman Islands with respect to the capital reduction;

- (v) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and the permission to deal in, the New Shares resulting from the Capital Reorganisation; and
- (vi) compliance with the relevant legal procedures and requirements under the laws of the Cayman Islands and the Listing Rules, and the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation;

Certificates	means the definitive registered certificates, substantially in the form set out in Schedule 1 to the Bond Instrument, to be given under seal by the Company in respect of the Bonds;
Closing	means completion of the subscription and issue of the Bonds and performance by the parties of their respective obligations pursuant to the terms of this Agreement;
Closing Date	means a date which is within five (5) Business Days after the Conditions Precedent set out in <u>Clause 6.1(a) is satisfied</u> (or such other date as the Company and the Subscriber shall agree in writing, provided that it shall be no later than the Long Stop Date);
Companies Ordinance	means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
Conditions	means the terms and conditions of the Bonds as set out in the Bond Instrument which shall be attached to the Certificates;
Conditions Precedent	means the conditions precedent set out in <u>Clause 6.1</u> ;

Contracts	means this Agreement, the Bond Instrument and all other agreements and documents contemplated by this Agreement;
Conversion Price	has the meaning given to it in the Bond Instrument;
Conversion Shares	means the New Shares to be allotted and issued upon conversion of the Bonds pursuant to the Bond Instrument and the Conditions;
Creditors' Scheme	means the scheme of arrangement to be entered into between the Company and the creditor(s) of the Company pursuant to Sections 670, 671, 673 and 674 of the Companies Ordinance together with or subject to any modification of it, any addition to it, or any condition approved or imposed by the High Court of Hong Kong and;
Directors	means the directors of the Company for the time being;
Encumbrance	means any option, right to acquire, right of conversion, right of pre-emption, right of first refusal, restriction on transfer, equity, claim, charge (whether fixed or floating), mortgage, pledge, lien, assignment, power of sale, hypothecation, title retention or other third party right or security interest of any kind and any agreement, arrangement or obligation (including any conditional obligation) to create any such right or interest;
Event of Default	means an event described as an Event of Default in the Conditions;
Executive	means the Executive Director of the Corporate Finance Division of the SFC or any of his delegates;
Existing Share(s)	has the meaning given to it in paragraph (B) of the Recitals;
Group	means the Company and its subsidiaries;
HK\$	means Hong Kong dollars, the lawful currency of Hong Kong;



Hong Kong	means the Hong Kong Special Administrative Region of the People's Republic of China;
in the agreed form	means, in relation to any document, the form of that document which has been initialled for the purpose of identification by or on behalf of the Company and the Subscriber;
Issue Price	means a price equal to 100% of the principal amount of the Bonds;
Listing Rules	means The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
Long Stop Date	means 31 December 2023 (or such later date as the Company and the Subscriber may agree in writing);
Loss	means, in respect of any matter, event or circumstances, all demands, liabilities, claims, actions, proceedings, damages, payments, fines, penalties, losses, costs (including legal costs), expenses (including Taxes), disbursements and other losses of any kind whatsoever arising;
Material Adverse Change or Effect	means: <ul style="list-style-type: none"> (a) any suspension or limitation of trading in any of the Company's Shares by the Stock Exchange (save for any temporary suspension or halt in trading pending the release of an announcement in connection with this Agreement); (b) any outbreak or escalation of hostilities, act of terrorism, the declaration by Hong Kong or the PRC of a national emergency or war or other calamity or crisis; or (c) any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in Hong Kong or the PRC, or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation;



that in the sole judgment of the Subscriber would make the enforcement of the Contracts impracticable; and **Material Adverse Change** or **Material Adverse Effect** shall be construed accordingly;

New Share(s)	means share(s) of a par value of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation having become effective;
Person	includes an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organisation or a governmental entity or any department, agency or political subdivision of such entity (whether or not having separate legal personality);
Proceedings	means any proceeding, suit or action arising out of or in connection with this Agreement or its subject matter (including its validity, formation at issue, effect, interpretation, performance or termination) or any transaction contemplated by this Agreement;
Proposed Restructuring	has the meaning given to it in paragraph (C) of the Recitals;
SFC	means the Securities and Futures Commission of Hong Kong;
SFO	means the Securities and Futures Ordinance (Chapter 571 means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time;
Share(s)	means, (i) prior to the Capital Reorganisation having become effective, the Existing Share(s), and (ii) after the Capital Reorganisation having become effective, the New Shares;
Share Option Scheme	means the share option scheme adopted by the Shareholders and in compliance with the Listing Rules on 16 February 2015 pursuant to which options may be granted to eligible participants entitling the holders of such options to subscribe for new Shares upon specified terms;



Shareholders	means holders of Shares from time to time;
Specific Mandate	means the specific mandate to the Directors to be obtained from the independent Shareholders at the general meeting for the allotment and issue of, among others, the Conversion Shares;
Stock Exchange	means The Stock Exchange of Hong Kong Limited;
Subscriber Indemnitees	has the meaning given to it in <u>Clause 5.1</u> ;
Subsidiary	has the meaning ascribed to it under the Companies Ordinance (and Subsidiaries shall be construed accordingly);
Takeovers Code	means The Codes on Takeovers and Mergers and Share Buy-backs;
Tax	means all forms of taxation, duties, levies, imposts and other similar impositions of any jurisdiction whether central, regional or local (including corporate income tax, value added tax, goods and services tax, personal income tax, withholding tax, import tax, export tax, stamp duty and other transaction or documentary taxes, social security and state pension contributions, taxes arising from the ownership of any property or assets, payroll and employment taxes, taxes arising on the sale, lease, hire, gift or other disposal of real or personal assets or property, and taxes of any kind whatsoever), together with any interest and levies and all penalties, charges, costs and additions to tax in relation to any of the foregoing or resulting from failure to comply with the provisions of any legislation, enactment or other law relating to the foregoing;
Term Sheet	means the Term Sheet dated 12 December 2022 (together with any supplemental term sheet which amends and supplements the original term sheet) entered into between the Company and the Subscriber in respect of the proposed debt restructuring of the Company and the proposed issuance of new ordinary shares of the Company; and

Warranties has the meaning given to it in Clause 4.1 (and **Warranty** refers to any or a specific one of the Warranties).

- 1.2 References to **this Agreement** shall include the Recitals and the Schedules (unless the context requires otherwise).
- 1.3 References to **this Agreement** or to any other agreement or document referred to in this Agreement means this agreement or such other agreement or document as amended, varied, supplemented, modified or novated from time to time, and includes the Schedules and any schedules to any such other agreement or document.
- 1.4 References to a **Clause**, a **Recital**, a **Schedule** and an **Appendix** are references, respectively, to a clause of, and a recital, a schedule and an Appendix to, this Agreement.
- 1.5 References in this Agreement to statutory provisions shall be construed as references to those provisions as respectively replaced, amended or re-enacted (whether before or after the date of this Agreement) from time to time or as the application is modified by other provisions from time to time and shall include references to any provisions of which there are re-enactments (whether with or without modification) and any subordinate legislation or regulations made under such provisions.
- 1.6 Words importing the singular include the plural and vice versa, and words importing a gender include every gender.
- 1.7 The headings and sub-headings in this Agreement are inserted for convenience only and shall not affect the construction of this Agreement.
- 1.8 The Schedules shall have the same effect as if set out in this Agreement.
- 1.9 A reference to any Hong Kong legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall (in respect of any jurisdiction other than Hong Kong) be deemed to include what most nearly approximates the Hong Kong legal term in that jurisdiction and references to any Hong Kong statute or enactment shall be deemed to include any equivalent or analogous laws or rules in any other jurisdiction.
- 1.10 The words **include** and **including** shall be construed without limitation.

2. ISSUE OF AND SUBSCRIPTION FOR THE BONDS

- 2.1 Subject to the satisfaction of the Conditions Precedent, the Company shall, on the Closing Date, issue the Bonds free and clear from all Encumbrances at their full face value to the Subscriber at the Issue Price in accordance with the terms of this Agreement.

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- 2.2 Subject to the satisfaction of the Conditions Precedent, the Subscriber shall, on the Closing Date subscribe for the Bonds free and clear from all Encumbrances at their full face value and pay or procure to be paid to the Company the Issue Price in accordance with the terms of this Agreement.
- 2.3 As at the date of this Agreement, the Subscriber has paid HK\$5,000,000 to the Company as deposit for subscription for the Bonds (the **Deposit**), which shall be applied for partial settlement of the Issue Price on the Closing Date.

3. LISTING OF CONVERSION SHARES

The Bonds will not be listed on any stock exchange. The Company covenants and agrees that it will 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.

4. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS

- 4.1 As a condition of the obligations of the Subscriber to subscribe for the Bonds, the Company represents and warrants to the Subscriber on the terms (the **Warranties**) set out in Q.
- 4.2 Save where the relevant Warranty refers specifically to a fact as at the date of this Agreement:
- (a) each of the Warranties that is qualified as to materiality is true, correct and accurate as of the date of this Agreement and shall be fulfilled down to and shall be true, correct and accurate in all respects and not misleading in any respect at Closing and shall be deemed to be repeated by the Company as at the Closing Date as if all references therein to the date of this Agreement were references to the Closing Date; and
 - (b) each of the other Warranties is true, correct and accurate as of the date of this Agreement in all material respects and shall be fulfilled down to and shall be true, correct and accurate in all material respects and not misleading in any material respect at Closing and shall be deemed to be repeated by the Company as at the Closing Date, as if all references therein to the date of this Agreement were references to the Closing Date.
- 4.3 Insofar 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 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 the Subsidiaries shall



do or omit to do any act prior to Closing which would constitute a breach of any of the Warranties or which would make any of the Warranties inaccurate or misleading in any respect.

- 4.5 The rights and remedies of the Subscriber in respect of a breach of the Warranties shall not be affected by Closing. The Company acknowledges that the Subscriber has agreed to enter into this Agreement in reliance upon the Warranties.
- 4.6 The Company by this Agreement undertakes with the Subscriber that it shall forthwith disclose in writing to the Subscriber any event or circumstance which may arise after the date of this Agreement and prior to Closing which is inconsistent with any of the Warranties (which disclosure shall not affect the Company's liability under this Agreement).
- 4.7 No information relating to the Group of which the Subscriber or any of its directors, officers, employees, agents or advisers has knowledge (actual or constructive) shall prejudice any claim made by the Subscriber under the Warranties, or operate to reduce any amount recoverable.
- 4.8 The Company acknowledges and agrees that:
- (a) in respect of the transactions contemplated by this Agreement, the Subscriber is acting solely as the subscriber in connection with the subscription of the Bonds;
 - (b) the Subscriber is acting pursuant to a contractual relationship with the Company, entered into on an arm's length basis, and in no event do the parties intend that the Subscriber acts or be responsible as a fiduciary or adviser to the Company, its management, shareholders or creditors or any other person in connection with any activity that the Subscriber may undertake or have undertaken in furtherance of the transactions contemplated by this Agreement or the purchase and sale of the Company's securities, either before or after the date of this Agreement;
 - (c) the Subscriber expressly disclaims any fiduciary or advisory or similar obligations to the Company in connection with the transactions contemplated by this Agreement (or any process or matters leading up to such transactions), and the Company confirms its understanding and agreement to that effect;
 - (d) each of the Company and the Subscriber is responsible for making its own independent judgments with respect to any such transactions and that any opinions or views expressed by the Subscriber to the Company regarding such transactions (including any opinions or views with respect to the Conversion Price and/or the price or market for the Bonds and/or Shares) do not constitute advice or recommendations to the Company;
 - (e) the Subscriber is acting as principal and not as the agent of the Company (nor as the fiduciary or adviser of the Company) and the Subscriber has not

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assumed (and will not assume) any fiduciary or advisory or similar responsibility in favour of the Company with respect to the transactions contemplated by this Agreement (or any process or matters leading up to such transactions), irrespective of whether the Subscriber or any of its Associates has advised or is currently advising the Company on other matters;

- (f) the Company waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Subscriber, any of the other Subscriber Indemnitees and any other Associates of the Subscriber, with respect to any breach or alleged breach of any fiduciary, advisory or similar duty to the Company in connection with the transactions contemplated by this Agreement (or any process or matters leading up to such transactions); and
- (g) notwithstanding anything in this Agreement, none of the Subscriber Indemnitees or any other Associates of the Subscriber shall have any liability whatsoever to the Company or any other person in respect of any alleged insufficiency of the Conversion Price and/or the price for the Bonds or Shares (it being acknowledged by the parties that the Company is solely responsible in this regard) and each such Person shall be entitled pursuant to the indemnities contained in Clause 5.1 to recover any Loss incurred or suffered as a result of or in connection with such alleged insufficiency.

4.9 The Subscriber warrants to the Company as follows:

- (a) the Subscriber has power under its constitutional documents to subscribe for the Bonds upon the terms set out in this Agreement; and
- (b) the Subscriber has full power, authority and legal right to enter into this Agreement and to perform its obligations under this Agreement.

5. UNDERTAKINGS

5.1 The Company confirms and undertakes to the Subscriber that:

- (a) the Company shall pay on behalf of the Subscriber, any Associate of the Subscriber and any directors, officers, employees and agents of the Subscriber or its Associates (collectively, the **Subscriber Indemnitees**), and the Company shall defend, indemnify and hold harmless each of the Subscriber Indemnitees from, any Loss suffered or incurred by any of the Subscriber Indemnitees as a result of: (i) any breach of any of the covenants, undertakings and obligations of the Company under any of the Contracts; (ii) any of the Warranties that is qualified as to materiality being untrue or misleading or breached in any respect and any of the other Warranties being untrue or misleading or breached in any material respect; and (iii) fraud or illegality on the part of any member of the Group;
- (b) the Company shall pay any stamp, issue, documentary and registration duties and other charges (including interest and penalties), if any, payable on or in



connection with the creation, issue and offering of the Bonds or the Conversion Shares or the execution or delivery of the Contracts;

- (c) the Company shall make all necessary arrangements to ensure that the Certificates are printed or otherwise produced and issued and delivered to the Subscriber in accordance with the provisions of this Agreement; and
 - (d) the Company shall use the proceeds from the issuance of the Bonds (after payment of all related fees and expenses) for settlement of debts owed to creditors of the Group and general working capital purposes of the Group.
- 5.2 The Company agrees and undertakes that, from the date of this Agreement up to (and including) the Long Stop Date or the Closing Date (whichever is earlier):
- (a) the Company shall not discuss or negotiate with any other Person (or with any adviser, agent, representative, consultant or source of finance to any such Person or Associate of such Person) in relation to any proposed investment by any Person (other than the Subscriber or as contemplated under the Creditors' Scheme) in any Shares or securities convertible into Shares, to be issued by the Company (or any equity interest or securities convertible into equity interests of any member of the Group).
- 5.3 The Company agrees and undertakes that, subject to the terms and conditions in this Agreement, it shall use its commercially reasonable best efforts to take (or cause to be taken) all action and to do (or cause to be done) all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions and other matters contemplated by this Agreement and to fulfill all of the conditions set forth in Clause 6 and the execution and delivery of the agreements and instruments contemplated by this Agreement to be executed and delivered at Closing. In the event any claim, action, suit, investigation or other proceeding by any governmental authority or other Person is commenced which questions the validity or legality of the transactions contemplated by this Agreement or seeks damages in connection with this Agreement, the parties agree to cooperate and use commercially reasonable best efforts to defend against such claim, action, suit, investigation or other proceeding and, if an injunction or other order is issued in any such action, suit or other proceeding, to use its reasonable best efforts to have such injunction or other order lifted, and to cooperate reasonably regarding any other impediment to the consummation of the transactions contemplated by this Agreement.
- 5.4 The Company agrees and undertakes that:
- (a) it shall (and shall procure that each member of the Group shall) conduct its business in compliance with all applicable laws, rules, regulations and articles of association in all material aspects; and
 - (b) it shall (and shall procure that each member of the Group shall) use its best endeavours to obtain all permits, approvals and registrations and make all



disclosures, notifications and filings necessary or desirable for the operation of the business by the Company and any member of the Group as currently conducted.

6. CONDITIONS PRECEDENT

6.1 The obligations of the Subscriber under Clause 2.2 are conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions reasonable acceptable to both the Company and the Subscriber) the listing of, and permission to deal in, the Conversion Shares, and such approval not having been revoked before Closing (including the issuance of the Bonds);
- (b) the special deals between the Company and its existing Shareholder(s) derived from the transactions in connection with the Creditors' Scheme having been approved by the SFC and the satisfaction of any conditions attached thereto, if any;
- (c) resolutions in relation to this Agreement and the transactions contemplated hereunder (including the subscription for the Bonds, the Specific Mandate and any transaction constituting a special deal between the Company and its existing Shareholders) having been duly passed by the independent Shareholders at the general meeting, and the Board having been granted the Specific Mandate in accordance with the Listing Rules;
- (d) resolutions in relation to this Agreement and the transactions contemplated hereunder (including the subscription for the Bonds, the Specific Mandate and any transaction constituting a special deal between the Company and its existing Shareholders) having been duly passed by the Board;
- (e) the Capital Reorganisation having become effective;
- (f) the Creditors' Scheme having been sanctioned by the High Court of Hong Kong; and
- (g) the completion of the Share Subscription taking place no later than the Closing Date.

6.2 Neither the Company nor the Subscriber shall have the right to waive the Conditions Precedent set out in Clauses 6.1 of this Agreement. In the event that any of the Conditions Precedent are not fulfilled on or before the Long Stop Date or such later date as the Parties may from time to time agree in writing after amicable negotiation, this Agreement and everything contained in it shall terminate and be null and void and of no further effect and neither of the Parties shall have any liability to any other Party, save for any antecedent breach(es) of any obligation under this Agreement.

6.3 The Company shall, not later than the second (2nd) Business Day after being notified in writing by the Stock Exchange that the listing of, and permission to deal in, the Conversion Shares has been granted, give written notice to the Subscriber to that effect.

7. CLOSING

7.1 Subject to the satisfaction of all the Conditions Precedent, Closing shall take place at 10:00 am (Hong Kong time) on the Closing Date at principal place of business of the Company in Hong Kong (or at such other place and time as the Company and the Subscriber may agree).

7.2 On or before Closing, the Company shall procure that a meeting of the Board (or a duly authorised committee of the Board) is duly convened and held in accordance with the Articles at which the Board (or such committee) approves the execution of the Bond Instrument and the issue of the Bonds (and the duly sealed Certificates) in accordance with this Agreement, the issue of the Conversion Shares upon conversion of the Bonds, and the performance of the Company's other obligations under the Bond Instrument and the Conditions.

7.3 At Closing:

(a) the Company shall do all (but not part only unless the Subscriber so agrees) of the following:

- (i) issue the Bonds to the Subscriber free and clear from all Encumbrances;
- (ii) execute the Bond Instrument and deliver to the Subscriber a copy of the Bond Instrument certified as a true and complete copy of the original by a Director; and
- (iii) procure the entry in the Bond Register of the name of the Subscriber as the holder of the Bonds, and deliver to or to the order of the Subscriber Certificates (in such number as shall have been notified by the Subscriber to the Company at least three (3) Business Days prior to Closing) duly sealed by the Company representing the full amount of the Bonds and substantially in the form set out in Schedule 1 to the Bond Instrument.

(b) the Subscriber shall, subject to Clause 7.3(c) of this Agreement, pay or cause to be paid to the Company the remaining balance of the Issue Price on the Closing Date by remitting the same:

- (i) to such bank account as shall have been notified by the Company to the Subscriber not less than three (3) Business Days prior to the Closing Date, evidence of such payment taking the form of a copy (including an electronic copy) certified by an officer of the Subscriber

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to be a true copy of the written instructions sent by the Subscriber to its bank to transfer the aggregate principal amount of the Issue Price to the account designated by the Company pursuant to this paragraph (b)(i) and a copy of a confirmation in writing from such bank of its receipt of such instructions; or

- (ii) in such other manner as the Company and the Subscriber may agree in writing.

For the avoidance of doubt, any bank charges for the remittance of the Issue Price shall be borne by the Company.

- (c) The Deposit and any financial assistance provided by the Subscriber to the Company prior to the Closing Date will be counted towards to set-off the Issue Price.

7.4 The Subscriber is not obliged to perform any obligation on its part undertaken under this Agreement unless the Company has fully complied with the requirements in Clause 7 applicable to it.

8. EXPENSES AND PAYMENTS

8.1 The Company agrees, subject always to Clause 8.3, to pay at Closing all costs and expenses incurred or to be incurred in connection with the issue and delivery of the Bonds and the Conversion Shares and to bear all costs and expenses incurred or to be incurred in connection with the listing of the Conversion Shares on the Stock Exchange (including the application for such listing).

8.2 The Company shall bear the costs and expenses of its own legal and other professional advisers incurred in connection with the issue of the Bonds, the negotiations in respect of the Contracts and related matters.

8.3 All payments by the Company under this Agreement shall be paid without set-off or counterclaim, and free and clear of and without deduction or withholding for or on account of any Tax (unless deduction or withholding of such Taxes is required by law in which case the Company shall pay such additional amounts as may be necessary to ensure that the payee receives the full amount due as if no such deduction or withholding had been made).

9. ANNOUNCEMENTS

9.1 Subject to Clause 9.2, neither party to this Agreement 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.

9.2 Clause 9.1 shall not apply if and to the extent that such announcement is required by law or under the Listing Rules or otherwise 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

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the provision by the party which is required to make such announcement of drafts of such announcement to and consultation with the other party).

10. SURVIVAL OF REPRESENTATIONS AND OBLIGATIONS

The representations, warranties, agreements, undertakings and indemnities in this Agreement shall continue in full force and effect, despite Closing having taken place or any investigation made by the Subscriber.

11. COMMUNICATIONS

11.1 Any notice (which term shall in this Clause 11 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.

11.2 Any such notice shall be addressed as provided in Clause 11.3 and may be:

- (a) personally delivered, in which case it shall be deemed to have been given upon delivery at the relevant address;
- (b) if within Hong Kong, sent by pre-paid post, in which case it shall be deemed to have been given two (2) Business Days after the date of posting;
- (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 (7) Business Days after the date of posting;
- (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 5:00 pm on any day (local time for the recipient) or otherwise than on a Business Day shall be deemed to have been received at 9:00 am on the next Business Day); or
- (e) sent by electronic mail, in which case it shall be deemed to have been served at the earlier of:
 - (i) the time sent (as recorded on the device from which the sender sent the email) unless, within 4 hours of sending the email, the party sending the email receives an automated message that the email has not been delivered;
 - (ii) receipt by the sender of an automated message confirming delivery; and
 - (iii) the time of receipt as acknowledged by the recipient (either orally or in writing).

11.3 The addresses and other details of the parties referred to in Clause 11.2 are, subject to Clause 11.4, as follows:

In the case of the Company:

Address : Suites 2905, 29/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

Facsimile : (852) 2180-9700

Email : jasonjong168@gmail.com

Attention : Mr. Chong Heung Chung Jason

In the case of the Subscriber:

Address : 5F, 7th Akiyama Building, 5-3 Kojimachi, Chiyoda Ku, Tokyo, Japan

Facsimile : 050-3385-8155

Email : h-kaneko@kyosei-bank.co.jp

Attention : Mr. Hiroshi Kaneko

11.4 Any party to this Agreement may notify the other party of any change to the address or any of the other details specified in Clause 11.311.3 (provided that such notification shall only be effective on the date specified in such notice or five (5) Business Days after the notice is given, whichever is later).

12. ASSIGNMENT AND ALTERNATE SUBSCRIBER

No party to this Agreement may assign or transfer, or purport to assign or transfer, any of its rights or obligations under this Agreement.

13. ENTIRE AGREEMENT

This Agreement, together with any documents referred to in it, constitutes the whole agreement between the parties to this Agreement relating to the issue of the Bonds and the Conversion Shares 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 Bonds and Conversion Shares (provided that nothing in this Clause 13 shall limit or exclude any liability for fraud or fraudulent misrepresentation). In the event of any inconsistency between the terms and conditions of the Term Sheet and this Agreement in relation to the issue of the Bonds and Conversion Shares, the terms and conditions of this Agreement shall prevail.

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14. COUNTERPARTS

This Agreement may be executed in counterparts, and by the parties to this Agreement on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but the counterparts shall together constitute one and the same instrument.

15. TIME OF THE ESSENCE

Any time, date or period referred to in this Agreement may be extended by mutual agreement in writing between the parties to this Agreement, but (as regards any time, date or period originally fixed or any time, date or period so extended) time shall be of the essence.

16. RELATIONSHIP OF THE PARTIES

Nothing in this Agreement shall be deemed to constitute a partnership between the parties to this Agreement, nor constitute any of them the agent of the other party or otherwise entitle a party to bind the other party for any purpose.

17. MISCELLANEOUS

17.1 Any provision of this Agreement which is capable of being performed after but which has not been performed at or before Closing and all Warranties, undertakings and indemnities contained or entered into pursuant to this Agreement shall remain in full force and effect notwithstanding Closing.

17.2 Without prejudice to any other provision of this Agreement, each party to this Agreement shall (on being required to do so by the other party concerned), now or at any time in the future, do or procure the doing of all such acts and/or execute or procure the execution of such documents in a form reasonably satisfactory to the other party which the other party may from time to time reasonably require for giving full effect to this Agreement and securing to the other party the full benefit of the rights, powers and remedies conferred upon the other party in this Agreement.

17.3 No variation of this Agreement shall be effective unless made in writing and executed by the parties to this Agreement.

17.4 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.

17.5 No failure to exercise nor any delay in exercising by any party to this Agreement 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.

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17.6 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 to this Agreement 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. GOVERNING LAW AND JURISDICTION

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

18.2 In relation to any Proceedings, the parties to this Agreement 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. RIGHTS OF THIRD PARTIES

A person who is not a party to this Agreement shall have no rights under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce or enjoy the benefit of any terms of this Agreement. The consent of any person who is not a party to the Agreement is not required to rescind or vary the Agreement.

20. INDEPENDENT LEGAL ADVICE

The Subscriber hereby agrees and acknowledges that: (a) prior to its execution of this Agreement, it had been advised to obtain and had obtained or had the opportunity to obtain independent legal advice on the purposes, effect, consequences and implications of this Agreement and the documents referred to herein, including but not limited to the Bond Instrument; and (b) upon its execution of this Agreement, it has carefully read the provisions of this Agreement and the Bond Instrument and fully understands and is fully aware of the purposes, effect, consequences and implications of this Agreement and the documents referred to herein, including but not limited to the Bond Instrument; and it executes this Agreement freely and voluntarily without duress or undue influence on the part of the parties or any other person.

SCHEDULE 1
REPRESENTATIONS AND WARRANTIES

1. Except the Conditions Precedent set out in Clause 6.1 of this Agreement, all consents, approvals, orders or qualifications required to be obtained from or made under all governmental, regulatory or other public bodies (including the Stock Exchange) or authorities or courts or from any third party pursuant to any contractual or other arrangement to which the Company or any other member of the Group is a party or made in connection with the consummation of the transactions contemplated by this Agreement have been duly obtained and are in full force and effect.
2. The Company is duly incorporated and validly existing under the laws of the place of its incorporation and the Company has the power under its constitutional documents to enter into this Agreement and this Agreement (and the performance of this Agreement) has been duly authorised (such authorisation remaining in full force and effect) and executed by, and constitutes valid and legally binding and enforceable obligations of, the Company in accordance with its terms.
3. Subject to the Conditions Precedent set out in Clause 6.1 of this Agreement, the Company has power under its constitutional documents to enter into and perform its obligations under the Bond Instrument and to allot and issue the Conversion Shares. Except as stipulated in Clause 6.1 of this Agreement, all necessary authorisations, approvals, consents and licences relating to the same have been unconditionally obtained and are in full force and effect, and the Bond Instrument will be a legal, valid and binding agreement of the Company, enforceable in accordance with its terms.
4. Subject to the Conditions Precedent set out in Clause 6.1 of this Agreement, the allotment and issue of the Conversion Shares pursuant to the Bond Instrument will not result in any breach of and will comply with all relevant provisions of its constitutional documents, the Listing Rules and all other applicable laws, rules and regulations.
5. Neither the Company, nor any of its Associates, nor any person acting on its or their behalf has taken or will take, directly or indirectly, any action designed to cause or to result (or that has constituted or which might reasonably be expected to cause or result) in the stabilisation in violation of applicable laws or manipulation of the price of any security of the Company to facilitate the issue of the Bonds.
6. The Company has not been, is not and will not be at any time engaged in insider dealing for the purposes of the SFO in connection with the issue of the Bonds and the related transactions entered into or to be entered into pursuant to the Contracts; neither the Company nor any person acting on behalf of the Company or any of the Associates of the Company has taken or will take, directly or indirectly, any action designed or which was designed for (or which constitutes or has constituted or might reasonably be or have been expected to cause or result in) stabilisation or manipulation of the price of any Shares or other securities of the Company.

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7. All the information (whether oral, written, electronic or in any other form) supplied by or on behalf of the Company or any of its senior management, directors or professional advisers, for the purpose of or in connection with the Group or the transactions contemplated by the Contracts, and all publicly available information and records of the Group (including information contained in annual reports, statutory filings and registrations) is and was (when supplied or published by the Company) true, accurate and not misleading.
8. Each member of the Group has obtained such authorisations and licences (if any) as are required under the provisions of any applicable law in connection with the operation of its business and there is no breach by any member of the Group of the provisions of any ordinance, statute or regulation governing such authorisations or licences (nor is there any reason why any such authorisation or licence should be withdrawn or cancelled).
9. The Company is not in breach of any rules, regulations or requirements of the Stock Exchange or its listing agreement made with the Stock Exchange (if any) and in particular, the Company has complied at all times with the disclosure requirements under the Listing Rules and/or its listing agreement made with the Stock Exchange (if any) and, other than the Conditions Precedent set out in Clause 6.1 of this Agreement, all necessary consents (if any) have been obtained from the Stock Exchange and other authority to complete the transactions contemplated by the Contracts in the manner contemplated.
10. There is no order, decree or judgment of any court or governmental agency or regulatory body outstanding or anticipated against any member of the Group which may have or has had a Material Adverse Change or Effect or which is material in the context of the transactions contemplated by the Contracts.
11. Neither the Contracts nor the transactions contemplated by the Contracts will constitute or give rise to a breach of or default under any agreement or other arrangement to which any member of the Group is party or give rise to any rights of any third party in respect of any assets of the Group.
12. Other than the consent or approvals as required under the Conditions Precedent set out in Clause 6.1 of this Agreement, the compliance by the Company with all of the provisions of this Agreement (as well as the consummation of the transactions contemplated in the Contracts) will not conflict with or result in a breach or violation of, or result in any third party consent being required under:
 - (a) any of the terms or provisions of any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument, decree, regulation or law to which any member of the Group or by which any member of the Group is a party or to which any of the property or assets of any member of the Group is subject; or

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- (b) any statute or any order, rule or regulation (including the Listing Rules) or any judgment, decree or order of any court or governmental agency or body having jurisdiction over any member of the Group or the property or assets of any member of the Group.
- 13. Other than as contemplated by this Agreement, neither the Company nor any of its Associates has entered or will enter into any contractual arrangement with respect to the distribution of the Bonds.

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IN WITNESS WHEREOF this Agreement has been executed on the day and year first before written.

THE COMPANY

SIGNED by Chong Heung Chung Jason)

for and on behalf of)

CA CULTURAL TECHNOLOGY GROUP)
LIMITED)

(華夏文化科技集團有限公司)

in the presence of:)



.....
Title: Director



.....
Name: CHONG WING SZE WINCY



THE SUBSCRIBER

SIGNED by Yanase Kenichi

for and on behalf of
KYOSEI BANK CO., LTD.
in the presence of:

)
)
)
)
)
)

Yanase Kenichi

Title: President

Haga Takahiro

Name: HAGA TAKAHIRO

[Handwritten marks]

APPENDIX A SHAREHOLDING STRUCTURE OF THE COMPANY

	A. As at the date hereof	B. As at completion of capital reorganisation	C. As at completion of share subscription and issue of creditors' shares	D. As at completion of share subscription, issue of creditors' shares and assuming full conversion of the conversion shares
Issued shares	1,182,042,000	118,204,200	708,004,200	1,616,256,118
Par value	HK\$0.100	HK\$1.00	HK\$0.01	HK\$0.01

1. Capital reorganisation
Share consolidation + Capital reduction
Consolidation ratio

2A. Subscription of Shares
Share Subscription amount
Subscription price
Subscription Shares

2B. Issue of Creditors' Shares

3. Subscription of Convertible Bonds
CB conversion price
No. of CB Conversion Shares

10 issued Existing Shares
will be consolidated into 1
issued consolidated share

Mr. Chong Heung Chung Jason & PAIC Subscriber	291,264,000	29,126,400	530,800,000	1,439,051,918	0.00%	89.04%
	-	-	-	-	0.00%	0.00%
Creditors	-	-	59,000,000	59,000,000	8.33%	3.66%
Mr. Chong Heung Chung Jason & PAIC	-	-	29,126,400	29,126,400	4.11%	1.80%
Other Public	890,778,000	89,077,800	89,077,800	89,077,800	12.58%	5.51%
Total	1,182,042,000	118,204,200	708,004,200	1,616,256,118	100.00%	100.00%

CB Subscription Agreement

**APPENDIX B
BOND INSTRUMENT**

CB Subscription Agreement

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