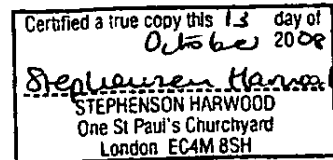


6290431



DATED 4th September 2008

(1) PRIME MEGA INTERNATIONAL LIMITED

and

(2) THE WARRANTORS

and

(3) MR RAY ANG

and

(4) MR WANG YAN TING

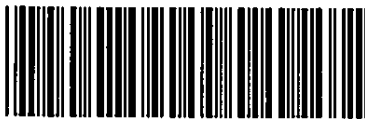
and

(5) NINETY PLC

SHARE SALE AGREEMENT
relating to the sale and purchase of
the entire issued share capital of
Honour Field International Ltd

STEPHENSON HARWOOD
One, St. Paul's Churchyard
London EC4M 8SH
Tel: 020 7329 4422
Fax: 020 7329 7100
(Ref: 1258/01-47-00877)

WEDNESDAY



LD6 22/10/2008 36
COMPANIES HOUSE

INDEX

CLAUSE	PAGE
1 Definitions	1
2 Sale of Shares	10
3 Consideration	13
4 Escrow Completion and Completion	13
5 Seller Warranties	16
6 Buyer Warranties	18
7 Conduct of Business Prior to Completion	20
8 The Profit Target	22
9 The Warrantor's Dealings with the Buyer after Completion.. .. .	22
10 Indemnities	23
11 Restrictions on Warrantors	24
12 Retention of Consideration Shares	25
13 Provision of Funding	26
14 Announcements	26
15 Costs	26
16 Further Assurance and Other Matters	26
17 Notices	27
18 General	28
19 Law and Jurisdiction	30
SCHEDULE 1	31
Particulars of the Warrantors	31
SCHEDULE 2	32

Part 1 - the Company	32
Part 2 – the Subsidiary	32
SCHEDULE 3	33
Part 1 - The Seller Warranties - Clause 5	33
Part 2 - The Buyer Warranties - Clause 6	44
SCHEDULE 4	47
Part 1 - Warrantors' Limitations on liability under the Seller Warranties	47
Part 2 - Buyer's Limitations on liability under the Buyer Warranties	53
SCHEDULE 5.	56
Seller's Tax Covenants and Warranties	56
SCHEDULE 6.	72
The Properties.	72
APPENDIX A	75
Due Diligence Report	75

AGREED FORM DOCUMENTS

- 1 the Capital Undertaking
- 2 Working Capital Confirmation
- 3 Subsidiary's net asset value confirmation
- 4 the Resolutions
- 5 letters of resignation
- 6 the Service Agreements
- 7 the Letters of Appointment
- 8 the Seller's powers of attorney
- 9 the Completion Letter
- 10 the Buyer's net asset value confirmation
- 11 the Seller's Representative Authorisation
- 12 the Broker Instruction Letter

THIS AGREEMENT is made the 4th day of September 2008.

BETWEEN

- (1) **PRIME MEGA INTERNATIONAL LIMITED** a company incorporated and registered in the British Virgin Islands with company number 1482319 whose registered office is at 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands (the "**Seller**"),
- (2) **THE SEVERAL PERSONS** whose names and addresses are set out in Schedule 1 (the "**Warrantors**") which expression shall, unless the context does not so permit, include such persons' successors in title,
- (3) **MR RAY ANG** of 383 Joo Chiat Place, Singapore 428034 ("**Mr Ang**"),
- (4) **MR WANG YAN TING** of 779 Xiguan Juwei, Lanshan District, Linyi City, Shandong Province, PRC ("**Mr Wang**"), and
- (5) **NINETY PLC** a company incorporated and registered in England and Wales with company number 06280431 whose registered office is at 17 Hanover Square, London W1S 1HU ("**the Buyer**")

WHEREAS

- (A) The Seller has agreed to sell and the Buyer has agreed to purchase and pay for all of the issued and allotted share capital of the Company on the terms and conditions and on the basis and in reliance upon the representations warranties undertakings and indemnities hereinafter mentioned

IT IS HEREBY AGREED as follows

1 Definitions

- 1.1 In this agreement and in the recitals and Schedules the following words and expressions shall unless the context otherwise requires have the meaning respectively given to them below

"Accounts"	means the audited financial statements of the Company and the audited consolidated financial statements of the Group for the accounting reference period which ended on the Accounts Date which financial statements comprise a balance sheet profit and loss account notes auditors' and directors' reports and a copy of which has for the purposes of identification only been signed by the Seller's Solicitors and delivered to the Buyer or the Buyer's Solicitors
"Accounts Date"	means 30 June 2008
"Acquisition"	means the sale and purchase of the Sale Share

	as contemplated by this agreement
"Act"	means the Companies Act 1985 and insofar as applicable the Companies Act 2006
"Admission"	means the admission to trading of the existing issued Ordinary Shares and the Consideration Shares on AIM as evidenced by posting the Notice
"Admission Document"	means the document comprising an admission document proposed to be issued by the Buyer in accordance with the requirements of the AIM Rules and sent to shareholders of the Buyer in which will be printed a notice convening a general meeting of the Buyer
"Agreed Form"	in relation to any document means the draft of the document in an agreed form which for the purpose of identification has been signed by or on behalf of the parties hereto
"AIM"	means the AIM Market of the London Stock Exchange
"AIM Rules"	means the AIM Rules for Companies and the AIM Rules for Nominated Advisers issued by the London Stock Exchange from time to time governing admission to and the operation of AIM
"Albany"	means Albany Capital Plc, a company incorporated in England and Wales with registered number 3995223 whose registered office is at 17 Hanover Square, London W1S 1HU
"Albany Convertible Loan"	means the convertible loan obtained by the Buyer from Albany pursuant to a convertible loan agreement dated on 28 July 2008 whereby Albany has agreed to provide to the Company a loan of £2,000,000 for its start-up and working capital requirements
"Associated Company"	means an undertaking in which the Company has or had at any time a participating interest (as defined in Part 15 of the Act) which is not or was not at that time a subsidiary
"Auditors"	means the auditors from time to time of the

Buyer and its subsidiaries

"Broker"	means the broker from time to time appointed by the Buyer in accordance with the AIM Rules
"Business Day"	means a day on which banks are open in London (excluding Saturday, Sunday and public holidays)
"Business Information"	means all information Know how and records which is confidential or otherwise not in the public domain in whatever form held) including (without limitation) all Marketing Information, formulas, designs, specifications, drawings, data, manuals, and instructions and all customer lists, sales information, business plans and forecasts, and all technical and other expertise and all computer software and all accounting and tax records correspondence orders and enquiries
"Buyer Chairman"	means John McLean or such other person appointed as Chairman of the Buyer from time to time
"Buyer Claim"	means any claim by the Seller for breach of any Buyer Warranty
"Buyer Financial Statements"	means the unaudited financial statements of the Buyer for the period from 15 June 2007 to 29 February 2008
"Buyer Material Adverse Effect"	means any material adverse change in or effect on or event or circumstance which could reasonably be expected to result in a material adverse change or effect (being where capable of financial quantification a change in excess of £15,000) on (i) the financial condition, prospects, liabilities or assets of the Buyer or (ii) the Buyer's ability to consummate the transactions contemplated by this agreement
"Buyer's PRC Solicitors"	means Jingtian & Gongcheng of Room 3505, 1010 Huaihai Road, Shanghai, 200031
"Buyer's Solicitors"	means Stephenson Harwood, Singapore, 1 Raffles Place, #49-00 OUB Centre, Singapore 048616
"Buyer Warranties"	means the warranties and undertakings which

are set out in Part 2 of Schedule 3

"Capital Undertaking"	means the undertaking in the Agreed Form from the Company and the Subsidiary that the Group shall not raise any additional capital finance for the Group for a minimum period of 12 months from Completion
"Code"	means the City Code on Takeovers and Mergers
"Companies Acts"	means, in relation to any company the legislation (including (but not limited to) the Act, the Companies Consolidation (Consequential Provisions) Act 1985, the Companies Act 1989 and Part V of the Criminal Justice Act 1993) dealing with all and any aspects of the law relating to corporations or other entities in the jurisdiction in which such company was incorporated or otherwise formed and (if different) the jurisdiction in which it is registered as at the date of this agreement including (but not limited to) the law relating to shares, equity interests, directors, accounts, dividends, and dealings in shares and equity interests
"Company"	Honour Field International Ltd, a company registered in the British Virgin Islands, full details of which are set out in Part 1 of Schedule 2
"Completion"	means completion of the sale and purchase of the Sale Share under this agreement
"Completion Letter"	means the written confirmation letter in the Agreed Form executed by the Seller confirming inter alia that all of its obligations under this agreement have been complied with
"Conditions"	means the conditions to this agreement set out in Clause 2.4 and "Condition" means any one of them
"Connected Person"	shall have the meaning given to that expression in Section 839 of the Taxes Act
"Consideration"	means the consideration for the sale and purchase of the Sale Share specified in Clause 3
"Consideration Shares"	means the 20,160,000 Ordinary Shares to be

allotted to the Seller pursuant to Clause 4

"CREST"	means a paperless settlement procedure in the UK enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument or stock transfer form and in respect of which Euroclear is the operator
"Due Diligence Report"	means the due diligence report dated September 2008 prepared by the Buyer's PRC Solicitors on the Subsidiary attached as Appendix A and addressed, inter alia, to the Buyer
"Employees"	means any person employed by the Company and/or the Subsidiary as at the date of this agreement
"Enlarged Group"	means the Buyer and the Group
"Encumbrance"	means any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (or an agreement or commitment to create any of the same)
"Environmental Law"	means all applicable regulations and directives, statutes, subordinate legislation, common law and other national, federal, state and local laws which relate to Environmental Matters
"Environmental Licence"	means any permit, licence, authorisation, consent or other approval required by any Environmental Law
"Environmental Matters"	means (i) the manufacturing, processing, treatment, keeping, handling, use (including as a building material), possession, supply, receipt, sale, purchase, import, export or transportation of Hazardous Materials or Waste; (ii) the disposal, release, spillage, deposit, escape, discharge, leak, emission or presence of Hazardous Materials or Waste; (iii) the creation of any noise, vibration, radiation, common law or statutory nuisance, or adverse impact on the environment, and (iv) the maintenance of human health and safety

"Escrow Completion"	means the performance of the provisions of Clauses 4.1 to 4.4 in anticipation of Admission taking place
"Euroclear"	means Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 02878738
"Executive Committee"	means Ray Ang, Wang Yan Ting and Shao Ming Ming
"Group"	means the Company and the Subsidiary details of which are set out in Part 2 of Schedule 2
"Group Company"	means any or all of the Company and/or the Subsidiary as the context may require
"Hazardous Material"	means any substance which alone or in combination with others is capable of causing harm to human health or to the environment or to any living organism supported by the environment
"Hermes Capital"	means Hermes Capital Limited a company incorporated in Hong Kong with registered number 1153568 whose registered address is at 3/F Oriental Crystal Commerce Building, 46 Lyndhurst Terrace, Central, Hong Kong
"Hermes Convertible Loan"	means the convertible loan obtained by the Buyer from Hermes Capital pursuant to a convertible loan agreement dated 28 July 2008 whereby Hermes Capital has agreed to provide to the Company a loan of £1,000,000 for its start-up and working capital requirements
"IFRS"	means International Financial Reporting Standards
"Key Employees"	means Shao Ming Ming, Le Kai Rong, Mao Qi Feng and Zhang Zeng Yuan
"Know-how"	means all information (including that comprised in or derived from formulae, designs, specifications, drawings, component lists, manuals, instructions and catalogues) in whatever form held relating to (i) the production of goods or the provision of services, or (ii) the design, selection, procurement, construction, installation or use of any plant, machinery or other equipment or

	process, or (iii) tooling design, or (iv) the repair, service or rectification of products or plant, or (v) the supply, storage, assembly or packing of raw materials, components or partly manufactured or finished products, or (vi) quality control, testing or certification
"Letters of Appointment"	means the letters of appointment in the Agreed Form to be entered into at Completion by the Buyer and each of Ray Ang, Wang Yan Ting and Susan Chong
"London Stock Exchange"	means London Stock Exchange plc
"Longstop Date"	means 31 October 2008 (or such later date as the parties may agree in writing)
"Marketing Information"	means all information relating to the marketing of any products or services (including customer names and lists, sale targets, sales statistics, market share statistics, marketing surveys and report, marketing research and any advertising or other promotional materials)
"Nominated Adviser"	means the nominated adviser for the time being appointed by the Buyer in accordance with the AIM Rules
"Notice"	means the formal notice given by the London Stock Exchange plc and posted under Rule 6 of the AIM Rules for Companies confirming Admission in respect of the Ordinary Shares
"Ordinary Shares"	means all of the ordinary shares of 6p each in the capital of the Buyer
"Outstanding Shares"	Consideration has the meaning given to it in Clause 8.1
"PRC"	means the People's Republic of China
"Profit Target"	means a minimum audited net profit after tax of RMB 60 million (being approximately £4.34 million)
"Property" or "Properties"	means the properties brief details of which are set out in Schedule 6
"Proposals"	means the Acquisition, Admission and associated ancillary matters

"Resolutions"	means the resolutions necessary to implement the Acquisition under the AIM Rules or the Code together with resolutions to, inter alia, increase the authorised share capital of the Buyer and to change the name of the Buyer in the Agreed Form to be proposed at a general meeting of the Buyer
"RMB"	means Renminbi, being the lawful currency of the PRC
"Sale Shares"	means the one (1) ordinary share of US\$1 00 each in the share capital of the Company registered in the name of the Seller, representing the entire issued share capital of the Company, which are to be bought and sold pursuant to Clause 2
"Seller Claim"	means any claim by the Buyer for breach of any Seller Warranty
"Seller Material Adverse Effect"	means any material adverse change in or effect on or event or circumstance which could reasonably be expected to result in a material adverse change or effect (being where capable of financial quantification a change in excess of £15,000) on (i) the operations, supplier, customer or employee relations, financial condition, prospects, results of operations, liabilities or assets of the Company or (ii) the Seller's ability to consummate the transactions contemplated by this agreement
"Seller's Representative"	means the person appointed by the Seller to act as its representative for the purposes of Clause 16 7
"Seller's Solicitors"	means Watson, Farley & Williams LLP of 16 Collyer Quay, #12-02 Hitachi Tower, Singapore 049318
"Seller Tax Covenants"	means those covenants given by the Warrantors in favour of the Buyer in the form set out in part 2 of Schedule 5
"Seller Warranties"	means the warranties and undertakings which are set out in Part 1 of Schedule 3 and in Part 3 of Schedule 5 including those deemed to be repeated under Clause 5 5

"Service Agreements"	means the service agreements in the Agreed Form to be entered into at Completion by (a) the Company and each of Ray Ang and Susan Chong and (b) the Subsidiary and Wang Yan Ting
"Subsidiary"	means Linyi Van Science and Technique Co Ltd details of which are set out in Part 2 of Schedule 2 together with where the context so admits from time to time any other subsidiary (as defined by section 1159 Companies Act 2006) or a subsidiary undertaking (as defined by section 1162 Companies Act 2006)
"Takeover"	means that either (a) a bona fide offer is made to acquire the whole of the issued ordinary share capital of the Buyer or the part thereof which is not already owned by the offeror, its subsidiaries or affiliates or any persons acting in concert with any of them and such offer has become or is declared unconditional, or (b) a scheme or arrangement shall become effective whereby more than 50 per cent, of the issued ordinary share capital of the Buyer shall become vested in another person, its subsidiaries or affiliates or any persons acting in concert with any of them
"Taxes Act"	means the Income and Corporation Taxes Act 1988
"Waste"	means any waste, including any by-product of an industrial process and anything which is discarded disposed of, spoiled, abandoned, unwanted or surplus irrespective of whether it is incapable of being recovered or recycled or has any value
"Working Capital Confirmation"	means the confirmation in the Agreed Form from the Company that it will have sufficient working capital for a minimum period of 12 months following Completion

- 1 2 In this agreement, words and phrases the definition of which is contained or referred to in the Companies Acts shall be construed as having the meaning thereby attributed to them
- 1 3 In this agreement, references to statutory provisions shall be construed as references to those provisions as respectively amended or re-enacted or as their application is modified by other provisions (whether before or after the date hereof but if after the date hereof,

not so as to increase liability hereunder) from time to time and shall include any provisions of which they are re-enactments whether with or without modification

- 1 4 In this agreement, the masculine gender shall include the feminine and the singular number shall include the plural and vice versa.
- 1 5 In this agreement, references to a "company" shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established, and references to a "person" shall be construed so as to include any individual, firm, company, government, state or agency of a state, or any joint venture, association or partnership (whether or not having separate legal personality) and whether now existing or formed after the date of this agreement
- 1 6 In this agreement, the headings are inserted for convenience only and shall not affect the construction of this document.
- 1 7 In this agreement, the expressions "the Seller" and "the Warrantors" shall, where applicable, include their respective personal representatives
- 1 8 In this agreement, unless otherwise stated references to a clause or a Schedule are references to a clause or a Schedule of this agreement and references to this agreement shall include the Schedules.
- 1 9 In this agreement, references to "indemnify" and "indemnifying" any person against any circumstance include indemnifying and keeping him harmless from all actions, claims and proceedings from time to time made against that person and all loss or damage and all payments, costs or expenses made or incurred by that person as a consequence of or which would not have arisen but for that circumstance
- 1 10 Unless otherwise expressly stated all duties, obligations or liabilities of the Warrantors and any other person under this agreement where such duties, obligations or liabilities are expressed to be of more than one person are deemed to be given jointly and severally
- 1 11 In this agreement, references to any English legal term for any action, remedy, method of financial proceeding, legal document, legal status, Court, official or any legal concept or thing shall in respect of any jurisdiction other than England be deemed to include what most nearly approximates in that jurisdiction to the English legal term

2 Sale of Shares

- 2 1 The Seller shall sell or procure to be sold with full title guarantee and the Buyer shall purchase the Sale Share free from all Encumbrances and together with all rights attached or accruing thereto and together with all dividends and distributions declared paid or made on or after the date of this agreement
- 2 2 The Seller hereby waives any rights which it may have under the articles of association (or equivalent constitutional documents) of the Company or otherwise to have the Sale Share offered to it for purchase prior to the transfer of the Sale Share pursuant to the provisions hereof

- 2 3 The terms of this agreement shall be conditional upon (and accordingly, beneficial ownership in the Sale Share will not pass until) satisfaction of the Conditions or their waiver on or before the Longstop Date These Conditions are
- 2 3 1 the Panel on Takeovers and Mergers having agreed that the allotment to the Seller of the Consideration Shares will not give rise to an obligation on its part to make an offer for the Ordinary Shares not already owned by the Seller pursuant to Rule 9 of the Code (or, to the extent that it does give rise to such obligation, having waived such requirement),
- 2 3 2 the passing without amendment of the Resolutions,
- 2 3 3 Admission,
- 2 3 4 the Seller having performed and satisfied in all respects all agreements, covenants, obligations and conditions required by this agreement to be performed or complied with by it at or prior to Completion, except where the failure to perform or satisfy the foregoing has not had and would not reasonably be expected to have a Seller Material Adverse Effect;
- 2 3 5 the Buyer having performed and satisfied in all respects all agreements, covenants, obligations and conditions required by this agreement to be performed or complied with by it or them at or prior to Completion, except where the failure to perform or satisfy the foregoing has not had and would not reasonably be expected to have a Buyer Material Adverse Effect,
- 2 3 6 no change or event that has had or would reasonably be expected to have, individually or in the aggregate with other changes or events, a Seller Material Adverse Effect having occurred since the date of this agreement,
- 2 3 7 no change or event that has had or would reasonably be expected to have, individually or in the aggregate with other changes or events, a Buyer Material Adverse Effect having occurred since the date of this agreement;
- 2 3 8 the Seller having tendered to the Buyer, immediately following the execution of this agreement all the deliveries referred to in this Clause 2;
- 2 3 9 the Buyer having tendered to the Seller, immediately following the execution of this agreement all the deliveries (if any) referred to in this Clause 2,
- 2 3 10 the Seller having tendered to the Buyer, at or prior to Escrow Completion all the deliveries referred to in Clause 4,
- 2 3 11 the Buyer having tendered to the Seller, at or prior to Escrow Completion all the deliveries referred to in Clause 4,
- 2 3 12 there being no claim, dispute, investigation, litigation or other proceeding pending or threatened in writing before any court or other governmental authority which seeks to (a) invalidate or set aside, in whole or in part, this agreement, (b) restrain, prohibit, invalidate or set aside, in whole or in part, the consummation of the transactions contemplated hereby or (c) obtain damages in connection therewith

- 2.4 The parties may at any time waive in whole or in part and conditionally or unconditionally the Conditions (or any of them) which Clause 2.6 specifies that they may waive
- 2.5 Each of the parties shall use all reasonable endeavours to procure the satisfaction of those of the Conditions for which it is primarily responsible and which are under its control as soon as reasonably practicable following the date hereof and the parties shall each provide or procure to be provided to each other all reasonable assistance in connection with the satisfaction of the Conditions and, accordingly
- 2.5.1 each of the parties shall execute such documents and do such acts and things as may be reasonably required to enable the Conditions (or any of them) to be satisfied,
- 2.5.2 each of the parties shall provide or procure to be provided all necessary information for the purpose of satisfying the Conditions and give all reasonable access to the books records and accounts of the Group for such purposes;
- 2.5.3 the Seller shall procure that prior to Completion the Buyer, its agents, representatives, accountants and solicitors are given promptly on request full access to the Properties and all such facilities and information regarding the business assets, liabilities, contracts and affairs of the Company and the Subsidiary and of the documents of title and other evidence of ownership of its or their assets as the Buyer may reasonably require,
- 2.5.4 the Buyer shall procure that prior to Completion the Seller, its agents, representatives, accountants and solicitors are given promptly on request all such facilities and information regarding the business assets, liabilities, contracts and affairs of the Buyer as the Seller may reasonably require, and
- 2.5.5 the Buyer will hold the general meeting for the purpose of passing the Resolutions as soon as reasonably practicable and in any event by the Longstop Date
- 2.6 Each party shall give notice to the other party of the satisfaction of the relevant Conditions within two Business Days of becoming aware of the same. If all the Conditions shall not have been satisfied (or waived by the party specified in this Clause 2.6) on or by the Longstop Date, this agreement shall terminate and, except for the provisions of this Clause and of Clauses 1 (Definition and Interpretation), 14 (Announcements), 15 (Costs), 17 (Notices), 18 (General) and 19 (Law and Jurisdiction) which shall continue in full force and effect, the parties shall be released and discharged from their respective obligations under this agreement, save for any antecedent breach or for any claim arising from breach of any undertaking contained in Clause 2.5. The Conditions set out in Clauses 2.3.4, 2.3.6, 2.3.8 and 2.3.10 may only be waived by the Buyer and the Conditions set out in Clauses 2.3.5, 2.3.7, 2.3.9 and 2.3.11 may only be waived by the Seller
- 2.7 Immediately following the execution of this agreement the Seller shall deliver or cause to be delivered to the Buyer or the Buyer's Solicitors
- 2.7.1 a copy of the minutes of a meeting or other corporate action of the directors of the Seller authorising the execution by the Seller of this agreement and the Seller's

performance of all its obligations under this agreement (such copy minutes being certified as correct by the secretary of the Seller), and

2 7 2 duly executed powers of attorney in the Agreed Form executed by the Seller

2 8 Immediately following the execution of this agreement the Buyer shall deliver or cause to be delivered to the Seller or the Seller's Solicitors a copy of the minutes of a meeting or other corporate action of the directors of the Buyer authorising the execution by the Buyer of this agreement and the Buyer's performance of all its obligations under this agreement (such copy minutes being certified as correct by the secretary of the Buyer)

3 Consideration

3.1 The consideration for the sale and purchase of the Sale Share shall be £15,120,000 (which shall be satisfied by the allotment and issue (credited as fully paid at £0.75 (75 pence) per share) to the Seller of the Consideration Shares) subject as provided in Clause 8

3 2 The Consideration Shares shall be issued and allotted to the Seller subject to Clause 3 1 and such Consideration Shares shall rank *pari passu* in all respects with the other Ordinary Shares in issue as at Completion and will be issued free of any Encumbrances

4 Escrow Completion and Completion

4 1 Subject to the provisions of Clause 2 6 and of this Clause 4, Escrow Completion shall take place on or within two Business Days of the date on which the last of the Conditions (other than the Condition relating to Admission having become effective) shall have become and shall remain satisfied and shall take place at the offices of the Buyer's Solicitors (or such other place as the parties may agree) when the business set out in this Clause 4 shall be transacted, all of which business shall be transacted conditional on Admission becoming effective and all the documents to be executed pursuant to this Clause 4 shall be held by the Buyer's Solicitors pending Admission becoming effective. If Admission does not become effective by the Longstop Date the provisions of Clause 2.7 shall apply. If Admission becomes effective on or before the Longstop Date then the Buyer's Solicitors shall be instructed by the relevant parties to this agreement to forward such documents to the appropriate parties subject to the terms of this agreement

4 2 The Seller shall, to the extent that it is reasonably able to do so, deliver or cause to be delivered to the Buyer or the Buyer's Solicitors or as the Buyer may direct

4 2 1 undated transfer of the Sale Share duly executed by the registered holder(s) thereof in favour of the Buyer together with the relative share certificates;

4.2 2 such waivers or consents as the Buyer may require to enable the Buyer to be registered as the holder of the Sale Share,

4 2 3 any other documents which may be required to give a good title to the Sale Share (including any power of attorney under which any document required to be delivered under this Clause 4 has been executed or signed),

4 2 4 undated duly executed powers of attorney in the Agreed Form executed by the Seller,

- 4 2 5 undated Service Agreements duly executed,
- 4 2 6 an undated Completion Letter,
- 4 2 7 in relation to each of the Company and the Subsidiary
 - (a) certified copies of the certificates of incorporation (and on change of name if appropriate);
 - (b) the common seal;
 - (c) minute books, share registers, and share certificate books (with any unissued certificates), and other statutory books (which shall be written up to but not including the date of Completion), and
 - (d) certified copies of the memorandum and articles of association (or equivalent constitutional documents),
 - (e) all bank mandates for each Group Company and statements showing the balances on all bank accounts of each Group Company at the close of business on a date no earlier than two Business Days before the date of Escrow Completion, together with a reconciliation statement prepared by the Seller to show the position on the date of Escrow Completion listing all amounts lodged but not cleared and unrepresented cheques which when cleared would be debited or credited to such accounts and standing orders payable since the date of the statements,
- 4 2 8 the Capital Undertaking,
- 4 2 9 the Working Capital Confirmation, and
- 4 2 10 confirmation in the Agreed Form that as at Completion, the Subsidiary's net asset value is not less than RMB 103 million
- 4 3 The Seller shall procure that a meeting of the directors of the Company or (as the case may be) the Subsidiary is held at which the following business is transacted (to the extent not already transacted)
 - 4.3 1 the directors of the Company shall approve the transfer in respect of the Sale Share (subject to stamping) for registration,
 - 4.3 2 the terms and execution of the Service Agreements shall be approved,
 - 4 3 3 the terms and execution of the Capital Undertaking shall be approved, and
 - 4 3 4 Mazars shall be appointed as auditors of the Company
- 4 4 The Buyer shall
 - 4 4 1 provide confirmation in such form as the Seller may agree that it remains listed on AIM and that its shares remain admitted to trading (and where such trading may have been suspended by the London Stock Exchange prior to Completion, such

suspension being lifted no later than the day of Completion) and its shares being quoted and freely tradeable,

- 4.4.2 subject to Clause 8, allot and issue the Consideration Shares pursuant to Clause 3, and
 - 4.4.3 deliver, or procure the delivery to the Broker of definitive share certificates in the name of the Seller in respect of the Consideration Shares or, at the written request of the Seller, procure the delivery of the Seller's Consideration Shares via CREST, and
 - 4.4.4 cause Angus Irens, Michael Gretton and Thomas Vaughan to cease to be directors of the Buyer (with effect from Completion) and deliver or procure that there are delivered to the Seller letters of resignation in the Agreed Form from all such persons so resigning, acknowledging that they have no claims outstanding for compensation or loss of office or otherwise howsoever arising, including redundancy and unfair dismissal, and
 - 4.4.5 procure the appointment to its board of Ray Ang, Wang Yan Ting and Susan Chong as executive directors and Nicholas Smith and John McClean as non-executive directors; and
 - 4.4.6 establish an executive committee of the Buyer initially consisting of Ray Ang, Wang Yan Ting and Shao Ming Ming; and
 - 4.4.7 procure the approval of the terms and execution of the Agreed Form Letters of Appointment and deliver such undated Letters of Appointment duly executed; and
 - 4.4.8 deliver a confirmation in the Agreed Form that, as at Completion, the Buyer shall have an approximate (i.e. +/- 2 per cent) net asset value of £3 million consisting of cash and cash equivalents
- 4.5 If any of the provisions contained in Clauses 4.2 or 4.3 are not complied with on any proposed or purported date of Escrow Completion the Buyer may
- 4.5.1 proceed to Escrow Completion so far as is practicable (without prejudice to its rights hereunder), or
 - 4.5.2 defer Escrow Completion to a date not more than twenty-eight days from the date of proposed or purported Escrow Completion and (in any event) no later than the Longstop Date (unless otherwise agreed by the parties in writing) and so that the provisions contained in this clause shall apply to Escrow Completion as so deferred provided that if any of the provisions contained in Clause 4.4 are not complied with on any date of Escrow Completion as so deferred then either the Seller or the Buyer may rescind this agreement
- 4.6 If any of the provisions contained in Clause 4.4 are not complied with on any proposed or purported date of Escrow Completion the Seller may -
- 4.6.1 defer Escrow Completion to a date not more than twenty-eight days from the date of proposed or purported Escrow Completion and (in any event) no later than the

Longstop Date (unless otherwise agreed by the parties (in writing)) and so that the provisions contained in this clause shall apply to Escrow Completion as so deferred, or

4 6 2 proceed to Escrow Completion so far as is practicable (without prejudice to its rights hereunder), or

4 6 3 rescind this agreement

4 7 Once Admission has become effective (as evidenced by the posting of the Notice) Completion shall be effected by the release of such documents as are held in escrow in accordance with Clause 4 1

5 Seller Warranties

5 1 The Warrantors jointly and severally warrant and represent and Mr Ang severally represents to the Buyer (for itself and as trustee for the shareholders of the Buyer) in the terms of the Seller Warranties and jointly and severally covenant and Mr Ang severally represents to the Buyer (for itself and as trustee for the shareholders of the Buyer) in the terms of the Seller Tax Covenants and acknowledge and accept that the Buyer is entering into this agreement in reliance upon each of the Seller Warranties and Seller Tax Covenants. The Seller (for itself and as trustee for the shareholders of the Buyer) warrants and represents to the Buyer (for itself and as trustee for the shareholders of the Buyer) in the terms of paragraphs 1 2, 1 3, 1 4, 1 5 and 2 3 of Part 1 of Schedule 3 only and only in respect of itself. The provisions of Part 1 of Schedule 4 shall apply to the liability of the Warrantors and, where applicable Mr Ang, under the Seller Warranties

5 2 Each of the sub-paragraphs of Part 1 of Schedule 3 shall (*mutatis mutandis*) apply in relation to the Subsidiary as it applies to the Company and references therein to "the Company" shall be construed accordingly

5 3 The Seller Warranties are given subject to matters of which the Buyer had actual knowledge but no other information relating to the Group of which the Buyer has constructive knowledge or of which he could have had knowledge upon enquiry shall prejudice any claim made by the Buyer under the Seller Warranties or operate to reduce any amount recoverable thereunder

5 4 Each of the Seller Warranties shall be separate and independent and save as expressly provided shall not be limited or restricted by reference to or inference from the terms of any other Seller Warranty or any other term of this agreement

5 5 The Seller Warranties shall be deemed to be repeated immediately before Completion and accordingly the Warrantors hereby jointly and severally covenant and Mr Ang severally warrants with the Buyer (for itself and as trustee for the shareholders of the Buyer) that (save only as may be necessary to give effect to this agreement) they will procure, so far as they are able, that nothing shall be done or be omitted to be done by the Company or the Subsidiary between exchange of this agreement and Completion which will cause them to be in breach of any of the Seller Warranties when the Seller Warranties are deemed to be repeated immediately before Completion or which would make any of the Seller Warranties misleading or untrue at such time

- 5 6 The Warrantors hereby jointly and severally covenant and Mr Ang severally covenants with the Buyer (for itself and as trustee for the shareholders of the Buyer) that if before Completion any of them acquire any knowledge of any event or matter (whether occurring or existing before the signing of this agreement or not) which is or might be or lead to a breach of any of the Seller Warranties or which renders or might render any of the Seller Warranties misleading he/it shall at once disclose in writing to the Buyer all that he/it knows about the event or matter in question and the Warrantors and, where appropriate, Mr Ang shall make any investigations concerning the event or matter which the Buyer may reasonably require
- 5 7 In the event of it becoming apparent to or known by the Buyer on or before Completion that the Warrantors and/or Mr Ang are in breach of any of the Seller Warranties or any other term of this agreement where such breach constitutes a Seller Material Adverse Event the Buyer may rescind this agreement by notice in writing to the Warrantors and Mr Ang
- 5 8 The rights and remedies of the Buyer in respect of any breach of the Seller Warranties shall not be affected by Completion by the Buyer's rescinding or failing to rescind this agreement or by any other event or matter whatsoever except a specific and duly authorised written waiver or release by the Buyer and the Buyer shall be entitled to claim both before and after Completion that any of the Seller Warranties is or was untrue or misleading or has or had been breached even if the Buyer knew or could have discovered on or before Completion that the Seller Warranty in question was untrue misleading or had been breached
- 5.9 Any references in the Seller Warranties to any state of awareness knowledge information or belief shall be construed as being to such state as if all due and proper enquiries had been made by the relevant person and it shall not be a defence that any of the Warrantors or Mr Ang did not appreciate the significance or relevance of any particular matter
- 5 10 Each of the Warrantors and, where appropriate, Mr Ang
- 5 10 1 accepts that the Buyer is entering into this agreement in reliance upon each of the Seller Warranties, and
- 5 10 2 undertakes (in the event of any claim being made against it pursuant to this agreement) not to make any claim against the Company or any member of the Group or against any director or employee of the Company or any member of the Group on whom any of them may have relied before agreeing to any terms of this agreement
- 5 11 Without restricting the rights of the Buyer or the ability of the Buyer to claim damages on any basis in the event that any of the Seller Warranties is broken or proves to be untrue or misleading, the relevant Warrantor and/or Mr Ang hereby covenants to pay, on demand, to the Buyer
- 5 11 1 the amount necessary to put the Company and the Subsidiary into the position which would have existed if the Seller Warranties had not been broken or had been true and not misleading, and

- 5 11 2 all costs and expenses incurred by the Buyer, the Company and the Subsidiary, directly or indirectly, as a result of such breach
- 5 12 The Warrantors and Mr Ang shall procure that prior to Completion the Buyer its agents representatives accountants and solicitors are given promptly on request full access to the Properties and all such facilities and information regarding the business assets liabilities contracts and affairs of each Group Company and of the documents of title and other evidence of ownership of its assets as the Buyer may reasonably require
- 5 13 Each of the Seller Warranties shall continue in full force and effect notwithstanding Completion
- 5 14 The Seller agrees with the Buyer to waive any right or claim which it may have in respect of any misrepresentation or error in, or omission from any information or opinion supplied or given by the Company and/or by the Subsidiary and/or any of its or their respective directors, officers, employees or agents in the course of negotiating this agreement or any documents ancillary thereto and that any such right or claim shall not constitute a defence to any claim by the Buyer under or in relation to this agreement or any document ancillary thereto
- 6 Buyer Warranties**
- 6 1 The Buyer warrants to the Seller in the terms of the Buyer Warranties the provisions of Part 2 of Schedule 4 shall apply to the liability of the Buyer
- 6 2 The Buyer Warranties are given subject to matters of which the Seller had actual knowledge but no other information relating to the Buyer of which the Seller has constructive knowledge or of which it could have had knowledge upon enquiry shall prejudice any claim made by the Seller under the Buyer Warranties or operate to reduce any amount recoverable thereunder
- 6 3 Each of the Buyer Warranties shall be separate and independent and save as expressly provided shall not be limited or restricted by reference to or inference from the terms of any other Buyer Warranty or any other term of this agreement
- 6 4 The Buyer Warranties shall be deemed to be repeated immediately before Completion and accordingly the Buyer hereby covenants with the Seller that (save only as may be necessary to give effect to this agreement) it will procure, so far as it is able, that nothing shall be done or be omitted to be done between exchange of this agreement and Completion which will cause it to be in breach of any of the Buyer Warranties when the Buyer Warranties are deemed to be repeated immediately before Completion or which would make any of the Buyer Warranties misleading or untrue at such time
- 6 5 The Buyer covenants with the Seller that if before Completion it acquires any knowledge of any event or matter (whether occurring or existing before the signing of this agreement or not) which is or might be or lead to a breach of any of the Buyer Warranties or which renders or might render any of the Buyer Warranties misleading it shall at once disclose in writing to the Seller all that it knows about the event or matter in question and the Buyer shall make any investigations concerning the event or matter which the Seller may reasonably require

- 6.6 In the event of it becoming apparent to or known by the Seller on or before Completion that the Buyer is in breach of any of the Buyer Warranties or any other term of this agreement where such breach constitutes a Buyer Material Adverse Event the Seller may rescind this agreement by notice in writing to the Buyer
- 6.7 The rights and remedies of the Seller in respect of any breach of the Buyer Warranties shall not be affected by Completion by the Seller rescinding or failing to rescind this agreement or by any other event or matter whatsoever except a specific and duly authorised written waiver or release by the Seller and the Seller shall be entitled to claim both before and after Completion that any of the Buyer Warranties is or was untrue or misleading or has or had been breached even if the Seller knew or could have discovered on or before Completion that the Buyer Warranty in question was untrue misleading or had been breached
- 6.8 Any references in the Buyer Warranties to any state of awareness knowledge information or belief shall be construed as being to such state as if all due and proper enquiries had been made by the relevant person and it shall not be a defence that the Buyer did not appreciate the significance or relevance of any particular matter
- 6.9 The Buyer
- 6.9.1 accepts that the Seller is entering into this agreement in reliance upon each of the Buyer Warranties, and
- 6.9.2 undertakes (in the event of any claim being made against it in connection with the Buyer Warranties) not to make any claim against any member of the Group or against any director or employee of the Buyer or any member of the Group on whom any of them may have relied before agreeing to any terms of this agreement
- 6.10 The Buyer shall procure that prior to Completion the Seller, its agents, representatives, accountants and solicitors are given promptly on request full access to the Properties and all such facilities and information regarding the business assets liabilities contracts and affairs of the Buyer and of the documents of title and other evidence of ownership of its assets as the Warrantors may reasonably require
- 6.11 Without restricting the rights of the Seller or the ability of the Seller to claim damages on any basis in the event that any of the Buyer Warranties is broken or proves to be untrue or misleading, the Buyer hereby covenants to pay, on demand, to the Seller-
- 6.11.1 the amount necessary to put the Seller into the position which would have existed if the Buyer Warranties had not been broken or had been true and not misleading, and
- 6.11.2 all costs and expenses incurred by the Seller, directly or indirectly, as a result of such breach
- 6.12 Each of the Buyer Warranties shall continue in full force and effect notwithstanding Completion

7 Conduct of Business Prior to Completion

- 7 1 Following the date hereof and prior to Completion or earlier termination of this agreement the Warrantors undertake to procure that save with the consent in writing of the Buyer (such consent not to be unreasonably withheld or delayed) and save as agreed pursuant to the terms of this agreement and/or the other Agreed Form documents entered into pursuant to the terms of this agreement (and for the avoidance of doubt if there is any inconsistency between this agreement and the Agreed Form documents, the provisions of this agreement shall prevail)
- 7 1 1 neither the Company nor the Subsidiary shall do anything which would or might result in a breach of any of the Seller Warranties,
- 7 1 2 reasonable advance notice shall be given to the Buyer of meetings of the Board of Directors of the Company and the Subsidiary (together with an agenda of the business to be transacted at such meetings and all supporting documents) and that a duly authorised representative of the Buyer shall be permitted to attend all such meetings and to participate fully in the discussions thereat,
- 7 1 3 the Company and the Subsidiary shall continue to conduct their respective affairs in a proper and businesslike manner and shall refrain from any act or omission which would or might prejudice the Company's or (as the case may be) the Subsidiary's trade,
- 7 1 4 the Buyer is informed forthwith of any matter which may materially affect the business of the Company and that the Warrantors shall consult with the Buyer thereon,
- 7 1 5 neither the Company nor the Subsidiary shall lend any monies outside the normal course of business and in particular shall not lend any monies to any director or employee or to the Warrantors,
- 7 1 6 neither the Company nor the Subsidiary shall borrow any monies or give or allow to exist any charge over its assets or undertaking except for charges existing as at the date hereof and each shall operate its bank overdrafts within existing limits as required in the ordinary course of business,
- 7 1 7 neither the Company nor the Subsidiary shall make any payment out of any bank deposit account exceeding in aggregate £50,000 except for payments in the ordinary course of its business,
- 7 1 8 neither the Company nor the Subsidiary shall acquire or agree to acquire any premises whatsoever whether freehold leasehold or under licence,
- 7 1 9 neither the Company nor the Subsidiary shall enter into any agreement except for agreements entered into in the ordinary course of its business,
- 7 1 10 no directors additional to the existing directors shall be appointed to either the Company or the Subsidiary,

- 7 1 11 neither the Company nor the Subsidiary shall not make any distribution by way of declaration of dividends or otherwise;
- 7 1 12 neither the Company nor the Subsidiary shall sell transfer or otherwise dispose of its business undertaking or assets or any part thereof otherwise than in the ordinary course of its business,
- 7 1 13 neither the Company nor the Subsidiary shall give any financial guarantees or indemnities for any purposes whatsoever,
- 7 1.14 there shall be no change in the terms and conditions of employment of any director of the Company or the Subsidiary or any Key Employee and the Buyer shall be kept informed of and consulted in relation to all wage negotiations,
- 7 1 15 except in the course of price negotiations (in relation to which the Warrantors shall procure that the Company shall act reasonably and keep the Buyer informed of all material developments) neither the Company nor the Subsidiary shall compromise or settle any material claim dispute or other matter in which the Company or any of its subsidiaries is involved,
- 7 1 16 neither the Company nor the Subsidiary shall appoint any person to occupy the post of executive director and shall not appoint or dismiss any senior management personnel,
- 7 1 17 neither the Company nor the Subsidiary shall modify or vary any rights attached to any shares or create, allot or issue any shares or grant or agree to grant any rights to subscribe for, or convert any security into any shares,
- 7 1 18 neither the Company nor the Subsidiary shall pass any resolution in general meeting;
- 7 1 19 neither the Company nor the Subsidiary shall acquire shares in any other company or participate in any partnership or any joint venture,
- 7 1 20 each Group Company maintains in force policies of insurance with limits of indemnity at least equal to, and otherwise on terms no less favourable than, those policies of insurance currently maintained by each Group Company,
- 7 1 21 each Group Company allows the Buyer and any person whom it might authorise for this purpose in connection with the transaction contemplated by this agreement, access to all the books and records, agreements and other documents and assets belonging to it and will supply the Buyer and/or its professional advisers with any information required by it or them relating to the Group
- 7 2 Following the date hereof and prior to Completion or earlier termination of this agreement the Buyer shall not
 - 7 2 1 do or omit to do anything which would cause any of the Buyer Warranties to be untrue, inaccurate or misleading if the same were true at Completion (by reference to the facts and circumstances then subsisting),

- 7.2.2 conduct any business otherwise than in relation to this agreement or Admission,
- 7.2.3 enter into any commitment which exceeds £500,000 or any agreement unless the Seller has given its prior written consent, and
- 7.2.4 issue any new Ordinary Shares or grant any rights over or in relation to any Ordinary Shares unless the Seller has given its prior written consent

8 The Profit Target

- 8.1 The Seller hereby agrees that 10,300,000 of the Consideration Shares (equivalent to £7,725,000 (credited as fully paid at £0.75 (75 pence) per share)) (the "**Outstanding Consideration Shares**") shall not be allotted to it on Completion but subject to this Clause 8 shall not be allotted until the release of the audited accounts of the Buyer for the financial year ending 31 December 2008.
- 8.2 In the event that the Company achieves a profit which is between 75 per cent. and 99.9 per cent. of the Profit Target, the Buyer shall be instructed in writing by the Buyer and the Seller to allot and issue such proportion of the Outstanding Consideration Shares to the Warrantors which is pro rata to the percentage of the Profit Target achieved. In the event that this would result in a fraction of an Outstanding Consideration Share being issued, such number of shares to be transferred shall be rounded down to the nearest whole Outstanding Consideration Share.
- 8.3 In the event that the Company achieves a profit which is equal to or greater than the Profit Target, the Buyer shall be instructed in writing by the Buyer and the Seller to allot and issue all of the Outstanding Consideration Shares to the Warrantors.
- 8.4 In the event that the Company fails to achieve 75 per cent. or more of the Profit Target, no Outstanding Consideration Shares will be issued to the Warrantors.
- 8.5 The Buyer undertakes not to pay any dividend or make any other distribution before the date on which the Outstanding Consideration Shares are either issued pursuant to Clause 8.2 or 8.3 or deemed not to be issued pursuant to Clause 8.4.

9 The Warrantor's Dealings with the Buyer after Completion

- 9.1 Each of the Warrantors undertakes to the Buyer for itself and as the trustee for the shareholders of the Buyer as at the date of this agreement that in relation to any dealings between the Buyer and the Warrantors in relation to this agreement and matters ancillary to it, including (but not limited to) the enforcement of the Buyer's rights for breach of Warranty, it/he shall
 - 9.1.1 in the case of the Warrantors and Mr Ang use its/his respective reasonable endeavours to procure that there is, at all times when the Ordinary Shares are traded on AIM (or any other recognised investment exchange), not less than 2 independent directors on the board of directors of the Buyer, being persons who could not reasonably be considered to be an appointee of the Warrantors, and
 - 9.1.2 in the case of Mr Wang and Mr Ang procure that they abstain from voting on any decision of the board of directors of the Buyer in relation to such dealing and, in

the case of all the Warrantors, if one or more of the directors of the Buyer may be considered to be an appointee of the Warrantors, use its/his reasonable endeavours to procure that any such director or directors of the Buyer abstains from voting on any decision of the board of directors of the Buyer in relation to such dealing insofar as it relates to him or the Warrantors who has appointed him, and, for the purposes of this Clause 9 1, a Warrantor shall be deemed to have used its/his reasonable endeavours by exercising its/his vote at a meeting of the board of directors or at a general meeting of the Buyer

- 9 2 All decisions of the board of directors of the Buyer shall be determined by a majority of votes and in case of an equality of votes the Buyer Chairman shall (notwithstanding the Buyer's articles of association or otherwise) have a second or casting vote

10 Indemnities

- 10.1 The Warrantors hereby unconditionally and irrevocably undertake and warrant, on a joint and several basis, that they shall indemnify and keep indemnified the Buyer (for itself and as trustee for the shareholders of the Buyer) at all times on a full indemnity basis and hold each of them harmless from and against all demands of any kind whatsoever, claims, suits, actions, proceedings, losses, damages, outgoings, obligations, costs (including legal costs), expenses, liabilities and penalties which the Buyer may sustain, incur or suffer, due to or arising as a result of the failure, default, omission or neglect on the part of Subsidiary, the Subsidiary's directors and/or shareholders to

10 1 1 comply with any requirements of the applicable PRC laws and regulations (including but not limited to any requirements to obtain approvals or consents from or procure any registration or filings with any governmental or regulatory bodies in the PRC) or the articles of association of the Subsidiary relating to

- (a) the transfer of land use rights by Linyi Gaochuang Services Limited Co , Ltd as contribution to the registered capital of the Subsidiary outside the time period prescribed by PRC laws,
- (b) extensions of the duration of the business licence of the Subsidiary,
- (c) changes to the articles of association of the Subsidiary,
- (d) changes to and appointment of legal representatives, directors, supervisors or managers of the Subsidiary,
- (e) register the labour contracts of any of the employees of the Subsidiary with the relevant authorities or contribute towards the social security payments required to be made under PRC laws;
- (f) transfers of the equity interest (whether direct or indirect) in the Subsidiary (including but not limited to the transfer of the indirect interest of the Subsidiary pursuant to this agreement); or

10 1 2 comply with any requirements under any agreement, contract or arrangement to insure the properties (including the Properties), assets or products of the Subsidiary

- 10 2 Mr Wang Yan Ting hereby unconditionally and irrevocably undertake and warrant that he shall indemnify and keep indemnified the Buyer (for itself and as trustee for the shareholders of the Buyer) at all times on a full indemnity basis and hold each of them harmless from and against all demands of any kind whatsoever, claims, suits, actions, proceedings, losses, damages, outgoings, obligations, costs (including legal costs), expenses, liabilities and penalties which the Buyer may sustain, incur or suffer, due to or arising as a result of the failure, default, omission or neglect on the part of Subsidiary, the Subsidiary's directors and/or shareholders to register the labour contracts of any of the employees of the Subsidiary with the relevant authorities in the PRC or to pay the requisite contributions for the social security insurance of any of the employees of the Subsidiary mandated under PRC laws and regulations.

11 Restrictions on Warrantors

- 11 1 For the purpose of assuring to the Buyer the full benefit of the business and goodwill of the Company each of the Warrantors undertakes by way of further consideration for the obligations of the Buyer under this agreement as separate and independent agreements that he/it will not.

11 1 1 for the period of two years after Completion disclose to any person or himself/itself use for any purpose and shall use his/its reasonable endeavours to prevent the publication or disclosure of any Business Information of the Company or the Subsidiary or any of its or their current or former clients' or customers' transactions or affairs which may have come to his/its knowledge, save that this restriction shall not apply

- (a) to any such Business Information required to be disclosed to a court, governmental, official, regulatory or stock exchange authority or to inspectors or others authorised by such an authority or by or under any legislation to carry out any enquiries or investigation or as otherwise required by law, and
- (b) to any such Business Information disclosed to the employees, officers, agents, professional advisers or bankers of the Warrantors to the extent necessary or reasonable for such persons to obtain the same for the purpose of discharging their responsibilities,

11 1 2 for the period of two years after Completion either on his/its own account or jointly or for any other person directly or indirectly solicit interfere with or endeavour to entice away from the Company or the Subsidiary any person who to his/its knowledge is now or has during the 12 months preceding the date of this agreement been a client customer or senior employee of

- (a) the Company, or
- (b) the Subsidiary,

11 1.3 for a period of two years after Completion without the Buyer's prior written consent either alone or jointly with or as manager agent for or employee of any person directly or indirectly carry on or be engaged or concerned or interested in the production or manufacture or distribution of food preservatives or in any other

business similar to any business carried on by the Company or the Subsidiary at the date of this agreement PROVIDED THAT nothing in this Clause 11.1 shall preclude any Warrantor from holding Ordinary Shares or holding not more than three per cent of any class of issued shares or other securities in any company which are listed or dealt in on any recognised investment exchange (as defined in the Financial Services and Markets Act 2000) by way of bona fide investment only

- 11.2 Each of the Warrantors acknowledges that the duration extent and application of each of the restrictions contained in this Clause 11 are no greater than is necessary for the protection of the goodwill of the business of the Company and the Subsidiary.
- 11.3 Each of the Warrantors acknowledges that he/it has had the opportunity to take independent advice on the restrictions of this Clause 11. Whilst those restrictions are considered by the parties to be reasonable in all the circumstances, it is agreed that if any of those restrictions, by themselves or taken together, are adjudged to go beyond what is reasonable in all the circumstances for the protection of the legitimate interests of the Buyer but would be adjudged reasonable if part or parts of their wording were deleted or amended or qualified or the periods referred to were reduced in scope, then the relevant restriction or restrictions shall apply with such modification or modifications as may be necessary or make it or them valid and effective
- 11.4 Each member of the Enlarged Group may enforce the terms of this Clause 11 in accordance with the Contracts (Rights of Third Parties) Act 1999, provided that as a condition thereto any such party shall
- 11.4.1 obtain the prior written consent of the Buyer; and
- 11.4.2 not be entitled to assign its rights under this Clause 11

12 Retention of Consideration Shares

- 12.1 The Seller agrees that subject to the provisions of Clause 12.3 it shall not dispose of any of the Consideration Shares within a period of 12 months from Completion and shall not dispose of any of the Consideration Shares within a further period of 12 months from the expiry of such date and shall provide executed undertakings in favour of the Nominated Adviser to this effect on the execution hereof (subject to Admission)
- 12.2 For the avoidance of doubt, but subject to Clause 8, the Seller will be free to dispose of any of the Consideration Shares issued to it as it sees fit following the second anniversary of the date of issue of the Consideration Shares, subject to compliance with any applicable legal or regulatory requirement.
- 12.3 During the period referred to in Clause 12.1 above, the Seller will, in order to preserve an orderly market in the Buyer's shares, make any market sale of Consideration Shares that it is permitted to sell pursuant to this Clause 12 through the Nominated Adviser provided that such person is able to effect the trade required on terms (including as to price per share and commission) no less favourable than those proposed by the broker of the Seller, as evidenced by a letter to the Buyer from the Seller's broker to that effect.

- 12.4 The restrictions outlined in Clause 12.1, 12.2 and 12.3 above will cease to apply in the event of a Takeover

13 Provision of Funding

The Buyer hereby agrees that in consideration of the conversion of the Hermes Convertible Loan and the Albany Convertible Loan in accordance with their respective terms it will issue 2,222,222 Ordinary Shares to Hermes Capital and 4,444,444 Ordinary Shares to Albany

14 Announcements

No announcements other than by the Buyer if and to the extent required by law or by any regulatory authority, including (without limitation) the London Stock Exchange, shall be made by any party hereto of the transactions referred to herein without the consent of the other parties hereto

15 Costs

Each party to this agreement shall pay its own costs of and incidental to the negotiation of the terms of the sale and purchase of the Sale Share and the documentation relating to such sale and purchase and of the other costs associated with the Proposals irrespective of whether the transaction contemplated by this agreement proceeds to Completion

16 Further Assurance and Other Matters

- 16.1 The Seller declares that for so long as it remains the registered holder of any of the Sale Share after Completion it shall

16.1.1 hold the Sale Share and the dividends and other distributions of profits or surplus or other assets declared, paid or made in respect of them after Completion and all rights arising out of or in connection with them in trust for the Buyer and its successors in title; and

16.1.2 deal with and dispose of the Sale Share and all such dividends, distributions and rights as the Buyer or any such successor may direct, and

16.1.3 if so requested by the Buyer or any such successor

(a) vote at all meetings which he shall be entitled to attend as the registered holder of the Sale Share in such manner as the Buyer or any such successor may direct; and

(b) execute all instruments of proxy or other documents which the Buyer may reasonably require and which may be necessary or desirable or convenient to enable the Buyer or any such successor to attend and vote at any such meeting

- 16.2 The Seller authorises and directs:

16.2.1 the Company to send any notices in respect of his holding of Sale Share to the Buyer; and

- 16.2.2 the Buyer to complete in such manner as it thinks fit and to return proxy cards, consents to short notice and any other document required to be signed by it in its capacity as a member
- 16.3 At any time after the date hereof the Seller shall at the request and cost of the Buyer, execute or procure the execution of such documents and do or procure the doing of such acts and things as the Buyer may reasonably require for the purpose of vesting the Sale Share in the Buyer and giving to the Buyer the full benefit of all the provisions of this agreement
- 16.4 Each of the Warrantors confirms that he has no claim (whether in respect of any breach of contract, compensation for loss of office or monies due to him or on any account whatsoever) outstanding against any Group Company or against any of the directors, officers or employees of any Group Company and that save for this agreement no agreement or arrangement (including any contract of employment) is outstanding under which any Group Company or any of such persons has or could have any obligation of any kind to him or it.
- 16.5 To the extent that any such claim or obligation as is referred to in Clause 16.4 exists or may exist, each of the Warrantors irrevocably and unconditionally waives such claim or obligation and releases each Group Company and any such other persons from any liability whatsoever in respect of such claim or obligation
- 16.6 Each Group Company and any director, officer or employee of any Group Company may enforce the terms of Clauses 16.4 and 16.5 in accordance with the Contracts (Rights of Third Parties) Act 1999, provided always that, as a condition thereto, any such third party shall
- 16.6.1 obtain the prior written consent of the Buyer, and
- 16.6.2 not be entitled to assign its rights under Clauses 16.4 and 16.5
- 16.7 The Warrantors appoint and authorise the Seller's Representative to give and receive notices, and to agree to all matters and to make all elections, decisions and determinations, on their behalf as set out in this agreement
- 16.8 The Seller's Representative shall initially be Hermes Capital but should such person become unable or unwilling to act then he shall be replaced as Seller's Representative by such other person as the Seller shall notify in writing to the Buyer but such replacement shall not be effective for the purpose of this agreement until notice thereof is received by the Buyer
- 16.9 The provisions of Clause 16.3 to 16.6 shall in no way prejudice or limit any rights of the Buyer against the Warrantors or any of them
- 17 Notices**
- 17.1 Any notice or other communication given or made under or in connection with the matters contemplated by this agreement shall be in writing in the English language (or be accompanied by a properly prepared translation into English)

- 17 2 Any such notice or other communication shall be addressed as provided in Clause 17.3 and, if so addressed, shall be deemed to have been duly given or made as follows -
- 17 2 1 if sent by personal delivery, upon delivery at the address of the relevant party,
- 17 2 2 if sent by first class post from a sender to an addressee who are both within the United Kingdom and the Channel Islands, two Business Days after the date of posting,
- 17 2 3 if sent by air mail from a sender to an addressee one of whom is outside the United Kingdom and the Channel Islands, five Business Days after the date of posting, and
- 17 2 4 if sent by facsimile, when despatched but only if the sender's transmission report shows that the facsimile was sent in full
- 17 3 The relevant addressees address is as it appears in this agreement at page 1
- 17 4 Each of the Warrantors hereby irrevocably appoints WFW Legal Services Limited of 15 Appold Street, London EC2A 2HB as its agent for the service of process in England in connection with this agreement, service upon whom shall be deemed completed whether or not forwarded to or received by the Warrantors. Nothing contained in this agreement shall affect the right to serve process in any other manner permitted by law, nor affect the right to bring proceedings in any other jurisdiction whether in connection with this agreement or for the purpose of the enforcement or execution of any judgment or other award obtained against the Warrantors in the courts of England, or as a result of arbitration proceedings conducted in England

18 General

- 18 1 The Seller hereby waives any rights or restrictions which may exist in the articles of association (or equivalent constitutional documents) of the Company or otherwise which might prevent the Seller entering into and performing this agreement and hereby consents to and ratifies any past transfers of shares in the Company
- 18 2 The rights and remedies of each party to this agreement are, except where expressly stated to the contrary, without prejudice to any other rights and remedies available to it No neglect, delay or indulgence by any party in enforcing any provision of this agreement shall be construed as a waiver and no single or partial exercise of any right or remedy of any party under this agreement shall affect or restrict the further exercise or enforcement of any such right or remedy
- 18 3 The liability of any party of this agreement may in whole or in part be released, compounded or compromised and if the other party gives time or indulgence to the person under such liability, this shall in no way prejudice or affect that party's rights against any other person under the same or similar liability
- 18 4 Each party agrees that this agreement and all documents to be entered into pursuant to this agreement (including the documents listed as Agreed Form documents) (together the "Transaction Documents") supersede any prior discussions, understandings and agreements between the parties concerning their subject matter and the Transaction

Documents constitute the entire and only agreement between the parties concerning their subject matter provided that nothing in this clause shall exclude any liability for fraud

- 18 5 No purported alteration of this agreement or of any of the documents referred to in this agreement shall be effective unless it is in writing, refers specifically to this agreement and is duly executed by each party hereto
- 18 6 Each provision of this agreement is severable and distinct from the others and, if any provision is, or at any time becomes, to any extent or in any circumstances invalid, illegal or unenforceable for any reason, that provision shall to that extent be deemed not to form part of this agreement but the validity, legality and enforceability of the remaining parts of this agreement shall not be affected or impaired, it being the parties' intention that every provision of this agreement shall be and remain valid and enforceable to the fullest extent permitted by law.
- 18 7 This agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, and each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original, but, taken together, they shall constitute one and the same instrument
- 18 8 This agreement shall be binding on and shall enure for the benefit of the personal representatives or the successors and assigns of the parties
- 18 9 Save as expressly contemplated by Clause 10 and Clause 16, a person who is not a party to this agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.
- 18 10 Each of the parties shall, and shall use their respective reasonable endeavours to procure that any necessary third parties shall, execute and deliver to the other parties such other instruments and documents and take such other action as may be required to give effect to the provisions of this agreement
- 18 11 No variation of this agreement shall be effective unless made in writing and signed by or on behalf of each of the parties
- 18 12 The provisions of this agreement shall remain in full force and effect notwithstanding Completion
- 18 13 Any:
- 18 13 1 right of rescission conferred upon the Buyer hereby shall be in addition to and without prejudice to all other rights and remedies available to it and no exercise or failure to exercise such a right of rescission shall constitute a waiver by the Buyer of any such other right or remedy, and
- 18 13 2 right of rescission conferred upon the Seller hereby shall be in addition to and without prejudice to all other rights and remedies available to them and no exercise or failure to exercise such a right of rescission shall constitute a waiver by the Seller of any such other right or remedy

18 14 If a party fails to make any payment due to any other party under this agreement by the due date for payment (due date), then without limiting such other party's remedies under this agreement, the defaulting party shall pay interest on the overdue amount at the rate of 4 per cent per annum above Barclays Bank plc base lending rate from time to time. Such interest shall accrue on a daily basis from the due date until the date of actual payment of the overdue amount, whether before or after judgment. The defaulting party shall pay the interest together with the overdue amount. This clause shall not apply to payments that the defaulting party contests in good faith.

19 Law and Jurisdiction

19 1 This agreement shall be governed by and construed in accordance with the laws of England and Wales.

19 2 The parties irrevocably agree that the courts of England and Wales are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this agreement. The parties irrevocably submit to the jurisdiction of such courts and waive any objection on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum, provided that this clause shall be without prejudice to the right to bring proceedings in any other jurisdiction for the purpose of enforcement or execution of any judgment or other settlement in any other court.

IN WITNESS WHEREOF this agreement has been executed and shall take effect as a Deed on the date set out above.

SCHEDULE 1

Particulars of the Warrantors

Name	Address
Prima Mega International Limited	P O Box 933, 2 nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands
Hermes Capital Limited Kong	3/F, 46 Lyndhurst Terrace, Central Hong Kong
Mr Wang Yan Ting	779 Xiguan Juwei, Lanshan District, Linyi City, Shandong Province, PRC

SCHEDULE 2

Part 1 - the Company

1	Company Name	Honour Field International Ltd
2	Date of Incorporation	3 July 2007
3	Company Number	BVI CRN 1414693
4	Issued and Paid Up Share Capital	US\$1.00
5	Number of Paid Up Shares:	1
6.	Names of Directors	Prime Mega International Ltd
7	Name of Company Secretary	None appointed
8	Registered Office	PO Box 933, 2 nd Floor, Abbot Building, Road Town, Tortola, British Virgin Islands
9.	Auditors	None appointed
10	Registered Charges	None

Part 2 – the Subsidiary

1	Company Name	Linyi Van Science and Technique Co , Ltd
2	Registered Capital	RMB 10,580,000
3	Paid Up Capital.	RMB 10,580,000
4	Total Investment	RMB 15,000,000
5	Names of Directors	Tham Wai Mun Raphael, Ang Wee Boon, Wang Yan Ting
6	Name of Company Secretary	Not applicable
7	Domicile	PRC
8	Legal Representative	Wang Yan Ting
9	Type of Company	Limited Liability Company (Wholly Foreign Owned Enterprise)

SCHEDULE 3

Part 1 - The Seller Warranties - Clause 5

The Seller Warranties are that

1 Information

- 1 1 Each of the Due Diligence Report and the Admission Document (in respect of information relating to the Seller and/or the Group only) is true and accurate in all respects and there are no other facts, the omission of which would make misleading any statement contained in the Admission Document (in respect of information relating to the Seller and/or Group only) or the Due Diligence Report. The Warrantors agree with all expressions of opinion contained in the Admission Document (in respect of information relating to the Seller and/or the Group only) and the Due Diligence Report and confirm that any opinions, expectations and beliefs ascribed in the Due Diligence Report to the Warrantors, or any of the directors of any Group Company, are fairly and honestly held and have been arrived at on a reasonable basis after full enquiry.
- 1 2 Each Warrantor and Mr Ang has full power and authority to enter into and perform its respective obligations under this agreement
- 1 3 The execution and delivery of and the performance by the Warrantors and Mr Ang of their respective obligations under this agreement will not:
 - 1 3 1 result in a breach of any provision of the memorandum or articles of association (or other constitutional documents of any Warrantor which is a body corporate or of the Company),
 - 1 3.2 result in a breach of or constitute a default under any instrument to which any Warrantor or Mr Ang is a party or by which they are bound, or
 - 1 3 3 result in a breach of any order judgment or decree of any court or governmental agency to which the Seller is a party or by which they are bound
- 1 4 The Seller is the legal and beneficial owner of the Sale Share free from Encumbrances

2 Constitution of the Company

- 2 1 The details of the Company and the Subsidiary set out in Schedule 2 are true and complete and accurate and the Sale Share is held and beneficially owned by the Seller free from any Encumbrances or equities and with all rights now or hereafter attaching thereto and is fully paid up
- 2 2 There is not now, nor is there any agreement or arrangement to create, any Encumbrance on over or affecting any of the shares of any Group Company, and no claim has been made by any person to be entitled to any of the foregoing
- 2 3 The Seller is fully entitled to sell and transfer the full legal and beneficial ownership in the Sale Share to the Buyer on the terms set out in this agreement

- 2 4 The copy of the constitutional documents of the Company and the Subsidiary delivered to the Buyer's Solicitors prior to the date hereof is true and complete and has embodied therein or annexed thereto a copy of every resolution or agreement required by law to be embodied or annexed thereto
- 2 5 No person has the right (whether exercisable now or in the future and whether contingent or not) to call for the issue of any shares or loan capital of the Company or the Subsidiary under any option or other agreement (including conversion rights).
- 2 6 The Company and the directors of the Company have complied with the provisions of the Companies Acts and resolutions and other documents required under any legislation to be delivered on behalf of the Company to the relevant companies registry or to any other authority whatsoever have been properly made and delivered and the statutory books of the Company have been properly kept and contain an accurate and complete record of matters which should be dealt with in such books in accordance with the Companies Acts
- 2 7 The Sale Share constitutes the whole of the allotted and issued share capital of the Company and is fully paid

3 Accounts

- 3 1 The Accounts have been prepared in accordance with international accounting standards and the bases and policies of accounting adopted for the purpose of the Accounts are the same as those adopted in preparing the audited accounts of the Company in respect of the two last preceding accounting periods.
- 3 2 The Accounts are true and accurate in all material respects and give a true and fair view of the assets and liabilities of the Group at the Accounts Date and the profits and cash flows of the Group for the financial period ended on that date
- 3 3 The Accounts contain proper provision for any foreseeable losses which may arise on realisation of stock and work-in-progress and/or on completion of any existing or proposed contract
- 3 4 Full provision reserve or disclosure has been made in the Accounts for all liabilities quantified and unquantified and capital commitments of the Company and any subsidiary outstanding at the Accounts Date
- 3 5 For the purposes of the Accounts the stock-in-trade and work-in-progress of the Group has been valued on a basis in all material respects consistent with that adopted for the purpose of their audited accounts in respect of the beginning and end of each of the two preceding accounting periods and in accordance with IAS 2 and all redundant obsolete and slow-moving stock-in-trade has been written off or written down as appropriate
- 3 6 The Accounts make provision or reserve in accordance with the principles set out in the notes included therein for all taxation liable to be assessed on each member of the Group or for which it may be accountable in respect of the period ended on the Accounts Date
- 3 7 In the Accounts and the accounts for the preceding two years of each Group Company all fixed assets have been depreciated in accordance with IAS 16

- 3 8 Proper provision for deferred taxation has been made in the Accounts
- 3 9 All proper and necessary accounting records minute books registers and records have been maintained by the Company are in its possession or are held to its order and contain accurate information relating to all material transactions to which the Company has been a party
- 4 **Business of the Company**
- 4 1 Since the Accounts Date
- 4 1 1 the Company has carried on its business in the ordinary and usual course and without entering into any transaction assuming any liability or making any payment not provided for in the Accounts which is not in the ordinary course of its business and without any interruption or alteration in the nature scope or manner of its business,
- 4 1.2 there has been no material deterioration in the turnover or the financial or trading position or prospects of the Company,
- 4.1 3 the Company has not by doing or omitting to do anything prejudiced its goodwill,
- 4 1 4 no part of the business of the Company has been affected by any abnormal factor,
- 4 1 5 no event has occurred which would entitle any third party (with or without the giving of notice or lapse of time) to call for the repayment of any indebtedness of the Company prior to its stated or normal maturity date,
- 4 1 6 the Company has paid its creditors in accordance with their respective credit terms,
- 4 1 7 no distribution of capital or income has been declared made or paid in respect of any share capital of the Company and (excluding fluctuations in overdrawn current accounts with bankers) no loan in whole or in part has been repaid or has become liable to be repaid, and
- 4 1.8 there has been no material change in the level of remuneration paid to officers and employees.
- 4 2 Except for assets disposed of in the ordinary course of business the Company is the beneficial owner with good and marketable title of all its assets and all assets which have been acquired since the Accounts Date and there is not now outstanding any option charge lien or encumbrance (or agreement to grant any such) over the whole or any part of the undertaking property or assets of the Company
- 4 3 The assets owned by the Company comprise all the assets necessary for the continuation of the businesses of the Company as now carried on
- 4 4 The Company's stock in trade is in good condition

- 4 5 The Company has not purchased any stocks goods or materials on terms that property therein does not pass until full payment is made or all indebtedness discharged
- 4 6 None of the debtors shown in the Accounts has been released or settled for an amount less than that shown in the Accounts and all debts due to the Company at Completion will be good and recoverable
- 4 7 The net asset value of the Subsidiary shall not be less than RMB 103 million
- 4 8 All necessary licences consents permits and authorities (public and private) have been obtained by the Company to enable the Company to carry on its business effectively in the places and in the manner in which such business is now carried on and all such licences consents permits and authorities are valid and subsisting and the Warrantors know of no reason why any of them should be suspended cancelled or revoked
- 4 9 No substantial customer or supplier of the Company has during the twelve months preceding the date of this agreement ceased or indicated an intention to cease trading with or supplying to the Company or is likely to reduce substantially its trading with or supplies to the Company

5 Litigation

- 5 1 Neither the Company nor any person for whose acts or defaults the Company may be vicariously liable is involved in any civil criminal or arbitration proceedings as claimant or defendant and no such proceedings are pending or threatened against the Company or any such person and there are no facts likely to give rise to any such proceedings
- 5.2 The Company is not subject to any order or judgment given by any Court or governmental agency and has not been a party to any undertaking or assurance given to any Court or governmental agency which is still in force
- 5.3 There is no dispute with any revenue or other official department in the United Kingdom, the People's Republic of China or elsewhere in relation to the affairs of the Company and there are no facts which may give rise to any such dispute
- 5.4 There are no claims pending or threatened or capable of arising against the Company by an employee or worker (as defined in paragraph 20 1 below) or third party in respect of any accident or injury which are not fully covered by insurance

6 Insurances

- 6 1 All insurance is currently in full force and effect and nothing has been done or omitted to be done which could make any policy of insurance void or voidable or which could result in an increased premium becoming payable, and none of the policies is subject to any special or unusual terms or restrictions or to the payment of any premium in excess of the normal rate
- 6 2 No claim is outstanding or may be made under any such policy and no circumstances exist which could or might give rise to any such claim.

7 Confidential Information

- 7.1 The Company is not a party to any confidentiality or other agreement and not otherwise subject to any duty which restricts the free use or disclosure of information relating to the Company or its business
- 7.2 Other than in the normal course of business, the Company has not disclosed or permitted to be disclosed or undertaken or arranged to disclose to a person other than the Buyer and its professional advisers any information of a confidential nature relating to the Company or its business including but not limited to Know-how, trade secrets, price lists or lists of customers or suppliers.

8 Competition Unfair Trade and Restrictive Practices

So far as the Warrantors are aware

- 8.1 no agreement or arrangement to which the Company is a party or practice engaged in by the Company
- 8.1.1 is or requires to be registered in accordance with or contravenes the provisions of any law relating to the restrictive trade practices or competition and the Company is not in default or in contravention of the provisions of any of those laws,
- 8.1.2 infringes any anti-trust or similar legislation in any jurisdiction in which the Company or any member of the Group has assets or carries on or intends to carry on business or where its activities may have an effect,
- 8.1.3 is registerable unenforceable or void or renders the Company or any other member of the Group liable to civil criminal or administrative proceedings by virtue of any anti-trust or similar legislation in any jurisdiction in which any member of the Group has assets or carries on or intends to carry on business or where its activities may have an effect; and
- 8.2 the Company has not given an undertaking nor is it subject to any order of or investigation by nor has it received any request for information from any court or governmental authority (including without limitation any national competition authority) under any anti-trust or similar legislation in any jurisdiction in which any member of the Group has assets or carries on or intends to carry on business or where its activities may have an effect

9 Material Contracts

- 9.1 The description of the principal contracts in the Due Diligence Reports are true and accurate and the aggregate liability of the Company under all the contracts of the Company not described in the Due Diligence Reports will not exceed £500,000 and no such contract has an unexpired term of more than 12 months or may not be terminated by the Company giving more than 12 months' notice.
- 9.2 The Company is not a party to

- 9 2 1 any power of attorney or any authority (express or implied) by which any person may enter into any contract or commitment to do anything on behalf of the Company (other than to its employees to enter into routine trading contracts in the normal course of their duties),
- 9 2.2 any agreement licence or arrangement which is liable to be terminated by another party or under which rights of any person are liable to arise or be affected as a result of any change in the control management or shareholders of the Company or on Completion,
- 9 2 3 any agreement in which any of the Warrantors is interested (directly or indirectly),
- 9 2 4 any contract or arrangement which is or may be material in relation to the business or affairs of the Company or is likely to involve the supply of goods or services the aggregate sales value of which will or might represent more than 10 per cent of the Company's turnover for the year ended on the Accounts Date,
- 9 2 5 any agency distributorship marketing purchasing or licensing agreement or arrangement, or any contract or arrangement which restricts its freedom to carry on its business in any part of the world in such manner as it may think fit,
- 9.2.6 any arrangement or understanding relating to the management of the Company's business the appointment or removal of directors of any company in the Group the ownership or transfer of ownership or letting of any assets of the Company or the provision supply or purchase of finance goods services or other facilities to by or from the Company or in any other respect relating to its affairs;
- 9 2 7 any contract or arrangement which restricts its freedom to carry on its business in any part of the world in such manner as it thinks fit
- 9 3 There is no breach of or any invalidity or grounds for a claim against the Company for breach of contract, determination, rescission, avoidance, or repudiation of any agreement to which the Company is or was a party (whenever signed and whether or not any provisions of such agreement remain to be performed) or of any allegation of such a thing
- 9 4 The Company does not have outstanding any bid or tender or sale or service proposal which is substantial in relation to its business or which if accepted would be likely to result in a loss
- 9 5 Save for any guarantee or warranty implied by law or contained in its standard terms of business the Company has not given any guarantee or warranty or made any representation in respect of goods or services supplied or contracted to be supplied by it or accepted any liability or obligation that would apply after any such goods or services had been supplied by it
- 9 6 The Company is not a party to any agreement or arrangement or under any obligation under which it is or may become liable to make any investment (as defined in the

Financial Services and Markets Act 2000) with, or to deposit any money with, or to provide any loan or financial accommodation or credit (other than normal trade credit) to any person or to subscribe convert acquire dispose of or underwrite any investment

10 Grants

- 10 1 The Company has not during the last 6 years applied for or received any grant, allowance, and or subsidiary from any supranational, national or local authority or government agency

11 Loans

- 11 1 No loan made by the Company has been made in breach of either the Companies Acts or any other statute
- 11 2 The Company has not lent any money which has not been repaid to it and does not own the benefit of any debt other than a debt arising in the ordinary course of its business

12 Bank Accounts and Indebtedness

- 12 1 Since the date of a statement of the credit or debit balance as at the close of business on a date being not more than seven days prior to the date of this agreement no payment out of any of the accounts has been made other than routine payments in the ordinary course of trading and the present balances are not substantially different from those shown in the statement
- 12 2 No Warrantor nor the Company has done anything whereby the continuance of all overdraft loan and other financial facilities might be affected or prejudiced and no notice has been received from any lenders requiring repayment or intimating the enforcement of any security, and there are no circumstances likely to give rise to any such notice
- 12 3 Save for the borrowings referred to in paragraphs 15 1 and 15 2 the Company has no outstanding loan capital nor has it incurred any indebtedness which it has not repaid or satisfied nor has factored any of its debts
- 12.4 The Warrantors are of the opinion, having made due and careful enquiry, that, having regard to existing bank and other facilities the Company has adequate working capital to enable it to continue to carry on its business in its present form and at its present level of turnover for the period of twelve months after Completion and for the purposes of executing carrying out and fulfilling in accordance with their terms all orders projects and contractual obligations which it has commenced to execute and carry out or which are binding on it

13 Insolvency

The Company is not the subject of any kind of insolvency procedure in any jurisdiction

14 Condition of Assets

A complete and accurate record of the plant and machinery, equipment and vehicles owned or possessed by the Company has been provided to the Seller

15 Sureties

No person other than the Company has given any guarantee of or security for any current overdraft loan or loan facility granted to the Company.

16 Compliance with Laws

16 1 The Company has complied and conducted its business in all material respects in accordance with all applicable laws and regulations of the People's Republic of China and any other country in which the Company conducts business and there is no violation of or default with respect to any statute regulation order decree or judgment of any Court or any governmental agency of the People's Republic of China or any other country in which the Company conducts business which may have a material adverse effect upon the assets or business of the Company and neither the Company nor any of its officers agents or employees (during the course of their duties in relation to the Company) has committed or omitted any act or thing the commission or omission of which could give rise to any fine penalty default proceedings or other liability on its part

16 2 The Company has not manufactured sold or provided any product or service which does not comply with all applicable laws regulations or standards or which is defective or dangerous or not in accordance with any representation or warranty express or implied given in respect of it

16 3 The Company has duly complied with all relevant requirements of any data protection legislation in the People's Republic of China or any other country in which the Company conducts business and has received no notice or allegation from either the governmental or other authority administering such legislation or a data subject alleging non-compliance with the said legislation or prohibiting the transfer of data and no individual has claimed or will have the right to claim compensation from the Company for loss or unauthorised disclosure of data.

17 Employees

17 1 No person is employed or engaged by the Company (including consultants and other self-employed individuals ("workers")) whether under a contract of service or contract for services) at the date of this agreement other than the Employees and all the Employees are engaged wholly or mainly by the Company and are employed directly by the Company

17 2 All of the employment contracts relating to the Employees are executed legally and in accordance with Chinese laws

17 3 Except as provided for in this agreement, the Company has not made any representations or statements to any Employee in relation to this agreement or its consequences

17 4 The Company does not recognise any trade union in respect of the Employees

17 5 There is no current litigation, arbitration, mediation, conciliation, expert determination, adjudication or other dispute resolution process between the Company and/or the Subsidiary and any Employee or former Employee and none is expected or pending

- 17 6 The Company is not engaged or involved in any dispute (including industrial dispute), claim or legal proceedings with any of the Employees (whether threatened or existing or anticipated) except as detailed in the Seller's Disclosures and as referred to in 20 7 above
- 17 7 Except for the Key Employees (and save as set out in the Admission Document) the Company is not proposing to introduce any scheme where the Employees would be entitled to acquire shares in the Buyer.
- 22 10 The Company has not terminated or given or received notice to terminate the employment of any of the Key Employees and no Key Employee is entitled or intends or is likely to terminate such employment or engagement as a result of the parties entering into this agreement.

18 Properties

- 18.1 Section Part III of the Due Diligence Report regarding the Properties of the Subsidiary and addressed, inter alia, to the Buyer is true and accurate in all material respects and there is no other material fact or matter relating to occupation of the Properties which has been omitted from the Legal Due Diligence Report
- 18 2 The Subsidiary has fully paid the consideration for the acquisition of the approximately 14,700 sq m plot of land which is the subject matter of the land assignment agreement dated 12 July 2007 made between the Subsidiary and Administration Committee of High-tech Industrial Zone of Linyi Municipal People's Government at South Side, West of Double Moon Lake Road, Linyi High-tech Industrial Development Zone, Linyi City, Shandong Province, PRC and the land use certificate for the said land is currently being processed and there are no legal obstacles to procurement of such land use certificates
- 18 3 Save as and to the extent disclosed in the Due Diligence Report, none of the Properties is subject to any other Encumbrances

19 Environmental Matters

- 19 1 The Company is and has been in compliance in all material respects with all applicable Environmental Law and the terms of all Environmental Licences The Company has not received written notice or communication that it may be in violation of any Environmental Law in any material respect or that any Environmental Licence may be subject to modification or revocation
- 19 2 The Company and its directors managers officers or members of a body responsible for its management have never been convicted of an offence under Environmental Law nor are there are current or pending criminal or civil proceedings against the Company or any of its officers under Environmental Law and there are no facts likely to give rise to any such proceedings
- 19 3 The Company has never received any notification official or otherwise under Environmental Law requiring it to take or refrain from taking any action nor is it under any investigation or enquiry in relation to any matters concerning the environment or Environmental Matters by any local government authority inspectorate government or quasi-governmental organisation or any authority having competence or responsibility for Environmental Law.

- 19 4 The Company has not caused permitted or suffered any pollution contamination release deposit discharge or emission whatsoever which has damaged or presents a threat to the environment or which has given or could give rise to any action claim or liability against the Company under Environmental Law or has given rise to a public protest or complaint against the Company in relation to Environmental Law or the environment by any person or body of persons
- 19 5 The Company owns controls or possesses no substance contaminant or pollutant on any of its land or property which if emitted discharged or released into the environment would breach any Environmental Law or Environmental Licences
- 19 6 The Company is not aware nor has it received any notification or informal indication that Environmental Licences which it does not now hold will be required now or in the future in order for it to continue its business as hitherto carried on
- 19 7 The Company has made no complaints nor experienced any pollution or contamination from any person nor has it any grounds to issue any such complaint

20 **General**

- 20.1 The Acquisition of the Sale Share by the Buyer will not cause the Company to lose the benefit of any right allowance or grant or privilege it presently enjoys or cause any person who normally does business with the Company not to continue to do so on the same basis as previously and the attitude and custom of clients customers suppliers employees and other persons with regard to the Company will not be prejudicially affected thereby
- 20 2 There are no loans outstanding from the Company to any past or present shareholder or director of the Company or any Connected Person nor are there any loans outstanding from any such shareholder director or Connected Person to the Company
- 20 3 There is not and during the six years immediately preceding Completion has not been any contract or arrangement to which the Company and any such shareholder director or Connected Person are or were parties or in which any such shareholder director or Connected Person thereof was interested in addition to the Company (a "Related Party Contract")
- 20 4 Save for any Related Party Contract, there is not nor has there been in the last three years any contract or arrangement to which the Company is a party which is not of an entirely arms length nature and which has affected or may affect the profits or financial position of the Company
- 20 5 Duty has been paid on all documents which in any way affect the right, title or interest of the Company in or to any of its property undertaking or assets or to which the Company is a party and which attract duty
- 20.6 The Company does not use on its letterhead books or vehicles, or otherwise carry on its business under, any name other than its corporate name.
- 20 7 The Company does not have any of its records systems controls data or information recorded stored maintained operated or otherwise wholly or partly dependent on or held

by any means (including any electronic mechanical or photographic process whether computerised or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of the Company

21 Subsidiaries and Branches

- 21.1 The particulars of the Subsidiary of the Company set out in Part 2 of Schedule 2 are true and complete and the entire registered capital of the Subsidiary is wholly held and owned by the Company free from any claims charges liens encumbrances or equities and with all rights now or hereafter attaching thereto
- 21.2 The Subsidiary of which basic information is given in Part 2 of Schedule 2 is a wholly owned subsidiary of the Company and its results are consolidated in the consolidated financial statements which form part of the Accounts
- 21.3 No Group Company has any interest in the share capital of any other body corporate which is not a member of the Group
- 21.4 No member of the Group acts or has carried on business in partnership with any other person or is a member (otherwise than through the holding of share capital) of any corporate or unincorporated body or holds or is liable on any share or security which is not fully paid up or which carried any liability
- 21.5 No member of the Group has outside the People's Republic of China any branch agency place of business or permanent establishment
- 21.6 The Company has no subsidiaries other than the Subsidiary and no Associated Company

SCHEDULE 3

Part 2 - The Buyer Warranties - Clause 6

- 1 The Buyer has all necessary rights, powers and authority to enter into and perform its obligations under this agreement and each document to be executed at or before Completion.
- 2 The Buyer is a company duly incorporated and existing under the laws of England and Wales
- 3 This agreement constitutes the Buyer's legal, valid and binding obligations enforceable against it in accordance with its terms and the Buyer is entitled absolutely and unconditionally to issue the Consideration Shares to the Seller on the terms set out in this agreement
- 4 So far as the Buyer is aware, the entry into and performance by the Buyer of this agreement does not and will not violate in any material respect any law or regulation or any agreement to which it is a party
- 5 All material consents, licences, approvals and authorisations required by the Buyer in connection with this agreement and the transactions contemplated hereby have been obtained and are in full force and effect
- 6 Except as set out in the Admission Document, no person has the right (whether exercisable presently or in the future and whether contingent or not) to call for the issue of any share or debenture of the Buyer or to convert any securities into shares or debentures, or shares or debentures of a different class in the Buyer and the Buyer has not entered into any contract or commitment to issue any such shares or debentures
- 7 Subject to the passing of the Resolutions, there is no regulation of the Buyer that would prevent or obstruct the admission of the shares of the Buyer to trading on AIM following Completion
- 8 The current memorandum and articles of association of the Buyer (a copy of which has been supplied to the Seller) is complete and fully sets out all of the rights and restrictions attaching to each class of shares and loan capital of the Buyer.
- 9 The Buyer has complied in all material respects with all provisions and requirements of the Companies Acts as are or have been in force and all returns, particulars, resolutions and other documents, including accounts, required under any such legislation to be delivered on behalf of the Buyer to the Companies Registry or to any governmental or other competent authority have been properly made and delivered
- 10 The registers of shareholders, warrant holders and further subscription rights holders and other statutory books and records of the Buyer have been properly kept, are up to date and contain a true, accurate and complete record of all the matters which are required to be dealt with therein and the Buyer has not received any application or request for rectification of any such registers and all such registers, books and records which are its property are in the possession of the Buyer or are under its control

11 The Buyer Financial Statements

- 11.1 have been properly prepared in accordance with policies, principles and practices generally accepted in the United Kingdom at such date for companies carrying on a similar business to that of the Buyer and all other legislation and regulations applicable thereto,
- 11.2 have been prepared under the historical cost convention,
- 11.3 give a true and fair view of the state of affairs of the Buyer as at and for the period ended on the date to which they were prepared, and
- 11.4 are not affected by any unusual or non-recurring items
- 12 Neither the Buyer nor any person for whose act or defaults it may be contractually or vicariously liable is involved (whether as claimant, defendant or otherwise) in any civil, criminal, tribunal, arbitration, administrative or other proceedings in relation to the Buyer
- 13 No civil, criminal, tribunal, arbitrations, administrative or other proceedings in relation to the Buyer or any person for whom the Buyer might be vicariously liable have been served on or notified to the Buyer and so far as the directors of the Buyer are aware (having made all due and reasonable enquiries) there are no facts or circumstances likely to result in any such proceedings
- 14 There is no outstanding or unsatisfied judgement, decree, order, award or decision of a court, tribunal, arbitrator or governmental agency against the Buyer and nor is it party to any undertaking or assurance given to a court, tribunal or any other person in connection with the determination or settlement of any claim or proceedings
- 15 The Buyer has never had any employees
- 16 Save as regards this agreement and the agreements referred to in the Admission Document, the Buyer has entered into no oral or written contracts, agreements or arrangements since incorporation
- 17 The Buyer does not currently have any material liabilities other than as disclosed in the Admission Document
- 18 The Buyer has no legal or beneficial interest in, and has never had any legal or beneficial interest in, any freehold or leasehold property and the Buyer does not occupy and has never occupied any such property
- 19 The Buyer does not have or participate in and has never had or participated in any pension scheme
- 20 Other than as disclosed in the Admission Document, the Buyer has no outstanding liability to pay, nor has it at any time incurred any liability to pay, Tax (as defined in Schedule 5 of this agreement) and all notices, reports, disclosures, accounts, computations, statements, assessments, registrations, de-registrations and any other information which ought to have been made or supplied by or in respect of the Buyer for the purposes of any Taxation (as defined in Schedule 5 of this agreement) have been

made or supplied on a proper basis, were punctually submitted, were accurate and complete when submitted and remain accurate and complete and are not the subject of any dispute, enquiry or investigation with any Taxation Authority (as defined in Schedule 5 of this agreement) and there are no present circumstances which are likely to give rise to any such dispute, enquiry or investigation.

- 21 The Buyer is not the holder or beneficial owner of any shares or securities of, or of any other interest in, any undertaking (whether incorporated or unincorporated and whether in the United Kingdom or elsewhere) and has not agreed to acquire any such shares, securities or interest other than pursuant to this agreement.

The Admission Document

- 22 The Admission Document contains all material written information in respect of the Buyer, its business and affairs required by AIM, the AIM Rules and all other relevant statutes and governmental regulations in the United Kingdom
- 23 All statements contained in the Admission Document relating to the Buyer, its business and affairs are true and accurate in all material respects and are not misleading in any material respect
- 24 All written statements, forecasts, estimates and expressions of opinion, intention and expectation contained in the Admission Document and relating to the Buyer, its business and affairs are fairly and honestly given, expressed or held and have been made after due and proper consideration

SCHEDULE 4

Part 1 - Warrantors' Limitations on liability under the Seller Warranties

1 Fraud

Nothing in this Schedule shall have the effect of excluding, limiting or restricting any liability of the Warrantors or Mr Ang in respect of a Seller Claim arising as a result of fraud or dishonest conduct by any of the Warrantors or Mr Ang.

2 Cap on liability

2.1 The maximum aggregate liability of the Warrantors or Mr Ang in respect of all and any Seller Claims (excluding costs, expenses and interest) under the Seller Warranties shall not exceed

2.1.1 prior to the date of allotment and issue by the Buyer to the Warrantors of such number of Outstanding Consideration Shares (if any) as may be due to them pursuant to Clause 8, the amount of £7,395,000, and

2.1.2 on and from the date of allotment and issue by the Buyer to the Warrantors of such number of Outstanding Consideration Shares (if any) as may be due to them pursuant to Clause 8, an amount equal to the sum of (i) £7,395,000 and (ii) the product of the number of Outstanding Consideration Shares allotted and issued to the Warrantors pursuant to Clause 8 multiplied by £0.75 (75 pence)

3 Time limits for making Claims

3.1 No Seller Claim may be made against the Warrantors or Mr Ang unless written notice of such Seller Claim is served on the Warrantors or Mr Ang giving reasonable details of the Seller Claim.

3.1.1 in the case of a Seller Claim under the Seller Warranties in Schedule 5 on or before the date that is the seventh anniversary of Completion, and

3.1.2 in the case of any other Seller Claim on or before the date that is three months after the announcement of the audited consolidated results of the Buyer and its subsidiaries for the year ending 31 December 2010

4 Commencement of Proceedings

Any Seller Claim (if it has not been previously satisfied, settled or withdrawn) shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by both being issued and validly served within six months of notification to the Seller pursuant to paragraph 3

5 Threshold and de minimis

5.1 The Warrantors and Mr Ang shall not be liable in respect of any Seller Claim unless the aggregate liability for all Seller Claims exceeds £35,000 (the "Threshold") in which case the Warrantors and Mr Ang shall be liable for the entire amount and not merely the excess

- 5 2 In calculating liability for Seller Claims for the purposes of paragraph 5 1 above where applicable, any Seller Claim which is less than £10,000 (excluding interest, costs and expenses) shall be disregarded

6 **Contingent claims**

If any Seller Claim is based upon a liability which is contingent only, the Warrantors and Mr Ang shall not be liable to make payment unless and until such contingent liability gives rise to an obligation to make a payment. This is without prejudice to the right of the Buyer to give notice of the Seller Claim in accordance with paragraph 4 and to issue and serve proceedings in respect of it whilst it remains contingent. For the avoidance of doubt, the fact that the liability may not have become an actual liability by the relevant date provided in paragraph 4 shall not exonerate the Warrantors in respect of any Seller Claim properly notified before that date.

7 **Right to remedy**

The Warrantors and Mr Ang shall not be liable for any claim if the alleged breach which is the subject of the Seller Claim is capable of remedy and is remedied to the satisfaction of the Buyer acting reasonably by the Warrantors and Mr Ang within 60 days of the date on which the notice in paragraph 4 above is received by the Warrantors and Mr Ang or, if the Nominated Adviser informs the Buyer in writing that it considers that granting the Warrantors and Mr Ang such a 60 day grace period would prejudice the admission of the Ordinary Shares to trading on AIM, then the Warrantors and Mr Ang shall not be liable for any claim if the alleged breach which is the subject of the Seller Claim is capable of remedy and is remedied to the satisfaction of the Buyer acting reasonably by the Warrantors and Mr Ang within such period after the date on which the notice in paragraph 4 above is received by the Warrantors and Mr Ang as is specified in writing by the Nominated Adviser.

8 **Satisfaction of Seller Claims**

- 8 1 Within 5 Business Days of the amount of the liability of the Warrantors for a Seller Claim being agreed or if no such agreement is reached within 5 Business Days of final determination by a court of competent jurisdiction (in this schedule, the "**Settlement Period**"), the agreed amount shall (without prejudice to any other rights and remedies available to the Buyer at any time) be satisfied from

8 1 1 the proceeds of the sale of the Outstanding Consideration Shares pursuant to this paragraph 8 where the Settlement Period occurred before the Outstanding Consideration Shares were allotted to the Warrantors (in this schedule, the "**Broker Sale**"), and/or

8 1 2 amounts provided in cash by the Warrantors,

and for the avoidance of doubt it shall be at the Buyer's sole election, subject always to the provisions of paragraph 8 5 below, as to whether the agreed amount is satisfied from the Broker Sale or directly from the Warrantors or all or any of the same in such proportions as they shall between them agree.

- 8 2 At Completion, the Seller shall deliver or procure delivery to the Broker of:

8.2.1 ten undated stock transfer forms signed by the Warrantors transferring the Outstanding Consideration Shares,

8.2.2 a letter in the Agreed Form signed by the Warrantors instructing such Broker to sell some or all of the Outstanding Consideration Shares (if such are allotted to the Warrantors pursuant to Clause 8) in accordance with the provisions of this agreement and to pay the proceeds of sale (net of the expenses of such sale and the Broker's best estimate of the tax payable by the Warrantors on such sale(s)) to the Buyer in reduction of the Warrantors' liability to the Buyer for a Seller Claim (the "**Broker Instruction Letter**"), and

8.2.3 such further documents or information as the Broker may require to enable it to dispose of such Outstanding Consideration Shares on behalf of the Warrantors and deal with the proceeds of sale in accordance with this provisions of this agreement,

so that in the event the Buyer elects to satisfy any liability of the Warrantors (in full or in part) by way of a Broker Sale, the Broker can sell, for the benefit of the Warrantors, such number of Outstanding Consideration Shares as the net proceeds of sale of which when sold in the market over a period of not more than four weeks will be equal to the Warrantors' liability (or, if the net proceeds of sale are less than the Warrantors' liability, then all of such shares) to the extent that such liability has not already been satisfied (if at all) The Buyer shall procure that the Broker sells such Outstanding Consideration Shares at the best price reasonably obtainable but, subject to this, the Broker shall be authorised to sell such shares in such manner, in such tranches and at such times, consistent with maintenance of an orderly market, as the Broker, in its absolute discretion thinks fit over such period of 4 weeks

8.3 If the proceeds of sale pursuant to paragraph 8.2 of any Consideration Shares is greater than the liability for the Seller Claim then, within 5 Business Days of the last of such sales, the Buyer shall pay the Warrantors any such surplus

8.4 If the Broker does not sell all the Outstanding Consideration Shares, the Buyer shall procure the delivery to the Warrantors of balancing certificates for their respective remaining Outstanding Consideration Shares and the Buyer shall procure the delivery to the Warrantors of any unused stock transfer forms delivered pursuant to paragraph 8.2.1 in each case within 5 Business Days of the last of any sale of Outstanding Consideration Shares under paragraph 8.2.

8.5 For the avoidance of doubt, nothing in this agreement shall prevent the Warrantors from being entitled to discharge the liability for a Seller Claim by making a cash payment to the Buyer. Any such election, which shall be at the sole option of the Warrantors, shall be made by notice in writing to the Buyer

8.5.1 within the Settlement Period,

8.5.2 specifying the liability for the Seller Claim that the Warrantors wish to discharge in cash, and

8.5.3 enclosing a banker's draft for the requisite sum made payable to the Buyer

8.6 It is agreed and acknowledged by the Buyer that if the proceeds of sale of the Outstanding Consideration Shares of the Warrantors (if any) is less than the liability for a Seller Claim then the Warrantors shall be liable to immediately discharge the balance of such liability by making a cash payment to the Buyer and/or by using the Wang Payment

8 7 The rights and remedies of the Buyer under this paragraph 8 are without prejudice to any other rights and remedies available to it at any time

9 Provisions, changes in legislation

9.1 The Warrantors shall not be liable for any Seller Claim to the extent that the subject of the Seller Claim is provided for, noted or reserved in the Accounts

9.2 The Warrantors shall not be liable for any Seller Claim to the extent that the Seller Claim arises or the Warrantors shall not be liable for the increase in size of a Seller Claim as a result of

9 2 1 the passing of, or a change in, a law or regulation occurring on or after the date of Completion whether or not having retrospective effect,

9 2 2 any increase in rates of Taxation (as defined in Schedule 5 of this agreement) since Completion,

9 2 3 wholly from an act or omission occurring at the written request of or with the prior written consent of the Buyer,

9 2 4 changes after Completion in the accounting policies, principles, methods, practices or bases adopted by, or applied in relation to the Company or other change in the way in which values assets or liabilities or prepares, presents or compiles any accounts or tax returns made with the consent of the Buyer

10 Mitigation

10 1 The Buyer shall take all reasonable steps to mitigate the Warrantors' and Mr Ang's liability in respect of any Seller Claim

10 2 Nothing in this Schedule restricts the general obligation on the parties at law to mitigate loss or damage

11 Third party claims

11 1 The Buyer shall promptly notify the Warrantors in writing if it becomes aware of any claim or potential claim from a third party which might result in the Buyer bringing a claim against the Warrantors (in this Schedule, a "Third Party Claim")

11 2 The Warrantors shall within 14 days of having received the notice referred to in paragraph 11.1 inform the Buyer in writing whether or not the Warrantors wish to conduct the defence of the Third Party Claim. If the Warrantors fail to give notice, they shall be deemed to have declined to conduct the defence of such Third Party Claim

11 3 If the Warrantors elect to conduct the defence of a Third Party Claim.

- 11.3.1 the Buyer and the Company shall at the written request of the Warrantors take such lawful action as the Warrantors may reasonably request to avoid, dispute, resist, appeal, compromise or defend the Third Party Claim, subject to the relevant company being specifically indemnified and secured to its reasonable satisfaction against any costs, loss or expense which it or any of them may thereby incur; and
- 11.3.2 the Warrantors shall from time to time and forthwith upon the request of the Buyer keep the Buyer fully informed of its conduct of and any negotiations relating to the defence of such Third Party Claim
- 11.4 If the Warrantors elect not to conduct the defence of any Third Party Claim (or are deemed not to have so elected), the Buyer or the Company may take such action as the Buyer sees fit with regard thereto provided that, although the Warrantors shall not be deemed to have admitted any liability with regard thereto, the liability of the Warrantors to the Buyer or the Company with regard thereto shall not be diminished or extinguished (as the case may be) on the grounds that the Buyer or the Company took or ought to have taken or omitted to take any action with regard to such Third Party Claim
- 11.5 Neither the Buyer nor the Company shall be under any obligation to allow the Warrantors to conduct the defence of a Third Party Claim if, in the Buyer's reasonable opinion, such conduct would materially prejudice the business interests or reputation of the business of the Buyer or of the Company or any of its subsidiaries
- 11.6 For the avoidance of doubt, it is agreed that the provisions of Clause 9 of this agreement (the Warrantors' Dealings with Buyer after Completion) shall apply to any decisions taken by the Buyer under this paragraph 11
- 12 No double recovery**
- The Buyer shall not be entitled to recover from the Warrantors more than once for the same damage suffered
- 13 Recovery from third parties**
- If the Warrantors pay to the Buyer an amount pursuant to a Seller Claim and the Buyer or the Company subsequently recovers from a third party an amount which is referable to that Seller Claim, the Buyer shall (or, as appropriate, shall procure that the Company shall) repay to the Warrantors so much of the amount paid by the Warrantors as does not exceed the amount recovered from the third party, less all proper and reasonable expenses incurred by the Buyer or the Company in obtaining that payment and in recovering that amount from the third party
- 14 Other Savings or Benefits**
- The Warrantors shall not be liable in any respect of any Seller Claim for any losses suffered by the Buyer to the extent of any corresponding savings by or net benefit to the Buyer or the Company. In calculating the liability of the relevant Warrantor for any breach of this agreement, there shall also be taken into account the amount (if any) by which any Taxation for which the Buyer or the Company would otherwise have been

accountable or liable to be assessed is actually reduced or extinguished directly as a result of the matter giving rise to such liability

SCHEDULE 4

Part 2 - Buyer's Limitations on liability under the Buyer Warranties

1 Fraud

Nothing in this Schedule shall have the effect of excluding, limiting or restricting any liability of the Buyer in respect of a Buyer Claim arising as a result of fraud or dishonest conduct by the Buyer

2 Cap on liability

The maximum aggregate liability of the Buyer in respect of all and any Buyer Claims under the Buyer Warranties shall not exceed £2,000,000.

3 Time limits for making Claims

No Buyer Claim may be made against the Buyer unless written notice of such Buyer Claim is served on the Buyer giving reasonable details of the Buyer Claim on or before the date that is three months after the announcement of the audited consolidated results of the Buyer and its subsidiaries for the year ending 31 December 2010

4 Commencement of Proceedings

Any Buyer Claim (if it has not been previously satisfied, settled or withdrawn) shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by both being issued and validly served within 6 months of notification to the Buyer pursuant to paragraph 3

5 Threshold and de minimis

5.1 The Buyer shall not be liable in respect of any Buyer Claim unless the aggregate liability for all Buyer Claims exceeds £50,000 (the "Threshold") in which case the Buyer shall be liable for the entire amount and not merely the excess

5.2 In calculating liability for Buyer Claims for the purposes of paragraph 5.1 above where applicable, any Buyer Claim which is less than £10,000 (excluding interest, costs and expenses) shall be disregarded

6 Contingent claims

If any Buyer Claim is based upon a liability which is contingent only, the Buyer shall not be liable to make payment unless and until such contingent liability gives rise to an obligation to make a payment. This is without prejudice to the right of the Warrantors to give notice of the Buyer Claim in accordance with paragraph 3 and to issue and serve proceedings in respect of it whilst it remains contingent. For the avoidance of doubt, the fact that the liability may not have become an actual liability by the relevant date provided in paragraph 3 shall not exonerate the Buyer in respect of any Buyer Claim properly notified before that date

7 **Right to remedy**

The Buyer shall not be liable for any claim if the alleged breach which is the subject of the Buyer Claim is capable of remedy and is remedied to the satisfaction of the Warrantors acting reasonably by the Buyer within 60 days of the date on which the notice in paragraph 3 above is received by the Buyer

8 **Provisions, changes in legislation**

8 1 The Buyer shall not be liable for any Buyer Claim to the extent that the subject of the Buyer Claim is provided for or reserved in the unaudited management accounts of the Buyer for the year ended 31 July 2008

8 2 The Buyer shall not be liable for any Buyer Claim to the extent that the Buyer Claim arises or the Buyer shall not be liable for the increase in size of a Buyer Claim as a result of

8 2 1 the passing of, or a change in, a law or regulation occurring on or after the date of this agreement whether or not having retrospective effect,

8.2.2 any increase in rates of Taxation (as defined in Schedule 5 of this agreement) since the date of this agreement,

8 2 3 wholly from an act or omission occurring at the written request of or with the prior written consent of the Warrantors (or any of them); or

8 2 4 changes after the date of this agreement in the accounting policies, principles, methods, practices or bases adopted by, or applied in relation to the Buyer or other change in the way in which values assets or liabilities or prepares, presents or compiles any accounts or tax returns made with the consent of the Warrantors

9 **Mitigation**

9 1 The Warrantors shall take all reasonable steps to mitigate the Buyer's liability in respect of any Buyer Claim.

9 2 Nothing in this Schedule restricts the general obligation on the parties at law to mitigate loss or damage.

10 **Third party claims**

10.1 The Warrantors shall promptly notify the Buyer in writing if they become aware of any claim or potential claim from a third party which might result in the Warrantors bringing a claim against the Buyer (in this Schedule, a "**Third Party Claim**")

10 2 The Buyer shall within 14 days of having received the notice referred to in paragraph 10 1 above inform the Warrantors in writing whether or not the Buyer wishes to conduct the defence of the Third Party Claim. If the Buyer fails to give notice, it shall be deemed to have declined to conduct the defence of such Third Party Claim

10 3 If the Buyer elects to conduct the defence of a Third Party Claim

10 3 1 the Warrantors shall at the written request of the Buyer take such lawful action as the Buyer may reasonably request to avoid, dispute, resist, appeal, compromise or defend the Third Party Claim, subject to the Warrantors being specifically indemnified and secured to their reasonable satisfaction against any costs, loss or expense which they may thereby incur; and

10 3 2 the Buyer shall from time to time and forthwith upon the request of the Warrantors keep the Warrantors fully informed of its conduct of and any negotiations relating to the defence of such Third Party Claim

10 4 If the Buyer elects not to conduct the defence of any Third Party Claim (or is deemed not to have so elected), the Warrantors may take such action as the Warrantors see fit with regard thereto provided that, although the Buyer shall not be deemed to have admitted any liability with regard thereto, the liability of the Buyer to the Warrantors with regard thereto shall not be diminished or extinguished on the grounds that the Warrantors took or ought to have taken or omitted to take any action with regard to such Third Party Claim

11 No double recovery

The Warrantors shall not be entitled to recover from the Buyer more than once for the same damage suffered

12 Recovery from third parties

If the Buyer pays to the Warrantors an amount pursuant to a Buyer Claim and the Warrantors subsequently recover from a third party an amount which is referable to that Buyer Claim, the Warrantors shall repay to the Buyer so much of the amount paid by the Buyer as does not exceed the amount recovered from the third party, less all proper and reasonable expenses incurred by the Warrantors in obtaining that payment and in recovering that amount from the third party

13 Other Savings or Benefits

The Buyer shall not be liable in any respect of any Buyer Claim for any losses suffered by the Warrantors to the extent of any corresponding savings by or net benefit to the Warrantors In calculating the liability of the Buyer for any breach of this agreement, there shall also be taken into account the amount (if any) by which any Taxation for which the Warrantors would otherwise have been accountable or liable to be assessed is actually reduced or extinguished directly as a result of the matter giving rise to such liability

SCHEDULE 5

Seller's Tax Covenants and Warranties

Part 1 – Interpretation

1 Interpretation

In this Schedule 5

1.1 the following expressions have the following meanings unless inconsistent with the context:

"Accounts Relief"	(a) any Relief which was treated as an asset of the Company in the Accounts, and (b) any Relief which was treated as an asset of the Company in the Accounts, and any Relief which was taken into account in computing (and so reducing or eliminating) any provision for Tax, including any provision for deferred tax which appears in the Accounts or which would have appeared in the Accounts but for the presumed availability of such Relief
"Auditors"	the auditors for the time being of the Company
"Balance Sheet"	the audited balance sheet of the Company, as at the Accounts Date
"Buyer's Group"	the group of companies comprising the Buyer and any company which is for the time being a holding company of the Buyer or a subsidiary of the Buyer or of such holding company, and "Buyer's Group member" means any one of them
"Claim"	a claim by the Buyer involving or relating to Part 2 of this Schedule 5
"Covenantors"	the Warrantors
"Dispute"	any dispute, appeal, negotiations or other proceedings in connection with a Tax Claim
"Event"	any event, fact or circumstance whatsoever including but not limited to (a) any transaction, action or omission (whether or not the Company is party to it);

- (b) the earning, receipt or accrual for any Taxation purpose of any income, profits or gains,
- (c) the incurring for any Taxation purpose of any loss or expenditure;
- (d) the declaration, payment or making of any dividend or other distribution, the sale and purchase of the Shares pursuant to this agreement, and Completion

"Future Relief"

any Relief which arises wholly or mainly as a result of any Event which occurs wholly or mainly after Completion or period commencing after Completion

"Liability to Taxation"

- (a) any liability of the Company to make an actual payment of Taxation (whether or not the Company is primarily so liable and whether or not the Company has any right of recovery against any other person arising from any Event occurring wholly or mainly before the Completion date), and
- (b) the use by the Company (in whole or in part) of any Future Relief (including a Future Relief surrendered to the Company by another company) or Accounts Relief to reduce or eliminate any liability of the Company to make an actual payment of Taxation arising from any Event occurring wholly or mainly before the Completion date (whether or not the Company is primarily so liable and whether or not the Company has any right of recovery against any other person) in respect of which the Seller would otherwise have been liable under paragraph 2, and
- (c) the loss by the Company (in whole or in part) of any Accounts Relief (including an Accounts Relief surrendered to the Company by another company) so far as such loss results in an actual liability to Taxation arising from any Event occurring wholly or mainly before the Completion date

"PAYE"	the Pay As You Earn system which is the equivalent of the UK System as provided in Part II of IT (Earnings and Pensions) Act 2003 in Hong Kong and the PRC
"Relief"	<p>(a) any relief, allowance, exemption, set-off, deduction or credit available from, against or in relation to Taxation or in the computation for any Taxation purpose of income, profits or gains; and</p> <p>(b) any right to a repayment of Taxation</p>
"Saving"	the reduction or elimination of any liability of the Company to make an actual payment of income tax arising on corporate profits in respect of which the Seller would not have been liable under paragraph 2, by the use of any Relief arising wholly as a result of a Liability to Taxation in respect of which the Seller has made a payment under paragraph 2 including for the avoidance of doubt, any reduction in the Company's or the Buyer's or any members of the Buyer's Group liability to pay income tax arising on corporate profits which arises as a result of or in connection with any liability of the Company to account for income tax and employees national insurance contributions under the PAYE system in respect of which the Seller is liable under paragraph 2.1 4 of this Schedule 5
"Seller"	Prime Mega International Limited
"Taxation"	<p>(a) any tax, duty, impost or levy, past or present, of Hong Kong or in the PRC without limitation, or elsewhere, whether governmental, state, provincial, local governmental or municipal, including income tax (including income tax required to be deducted or withheld from or accounted for in respect of any payment), corporation tax, capital gains tax, inheritance tax, customs and other import or export duties, rates, stamp duty, stamp duty land tax, stamp duty reserve tax, national insurance and social security contributions, VAT, housing fund contributions or their equivalent in the case of each of the aforementioned taxes, whether in Singapore the PRC or</p>

elsewhere and "Tax" shall be construed accordingly, and

- (b) any fine, penalty, surcharge, interest or other imposition (i) relating to any tax, duty, impost or levy mentioned in paragraph (a) of this definition (including any interest or penalty in respect of the underpayment of any instalments) or (ii) imposed by any Taxation Authority by reason of any insufficiency or defect in any account, record, form, return or computation required to be kept, preserved, maintained or submitted to any person for the purposes of any such tax, duty, impost or levy

"Taxation Authority"

any authority, whether in Hong Kong, the PRC or elsewhere, competent to impose, assess or collect Taxation

"Taxation Statute"

any statute (and all regulations and other documents having the force of law under such statute) published, enacted, issued or coming into force on or before the date of this agreement relating to Taxation

"Tax Claim"

any notice, demand, assessment, letter or other document issued, or action taken, by or on behalf of any Taxation Authority and the submission of any Taxation form, return or computation from which, in either case, it appears to the Buyer that the Company is or may be subject to a Liability to Taxation or other liability in respect of which the Seller is or may be liable under paragraph 2

"VAT"

Value added tax under the Value Added Tax Act 1994 or similar tax levied in a relevant jurisdiction

- 1 2 references to Events include Events which are deemed to have occurred for any Taxation purpose and references to income, profits or gains earned, received or accrued for any Taxation purpose include income, profits or gains which are deemed to have been earned, received or accrued for any Taxation purpose,
- 1.3 references to the loss of a Relief include the disallowance of a Relief and the failure to obtain a Relief (whether as a result of the surrender of the Relief to another company or otherwise),
- 1 4 references to the Company in this Schedule, whether express or implied, shall be read and construed as references to Honour Field International Ltd and the Subsidiary individually as if the provisions of this Schedule were set out in full in respect of each such company,

1.5 references to Taxation shall include any stamp duty which is charged on any document save for that referred to in paragraph 4.1.8 hereunder

1.6 references to something occurring in the ordinary course of business shall, without prejudice to the generality thereof, be deemed not to include -

- (i) any Event which results in a Liability to Taxation of the Company where such liability is primarily chargeable against or attributable wholly or partly to or recoverable wholly or partly from any person other than that company,
- (ii) anything which relates to a transaction or arrangement which includes, or a series of transactions or arrangements which includes, any step or steps having no commercial or business purposes apart from the reduction, avoidance or deferral of a Liability to Taxation,
- (iii) anything which relates to or involves the making of a distribution for Tax purposes, the creation, cancellation or re-organisation of share or loan capital, the creation, cancellation or repayment of any intra-group debt or the Company becoming or ceasing to be or being treated as ceasing to be a member of a group of companies or becoming or ceasing to be associated or connected with any other company for any Tax purposes,
- (iv) any liability arising from the disposal, acquisition or deemed disposal or acquisition of any asset other than trading stock,
- (v) any liability arising as a result of the failure to properly deduct and/or account for Tax or to comply with the provisions of any Tax legislation or subordinate legislation (including regulations) and any act omission or transaction which gives rise to any fine, penalty, surcharge, interest or other imposition relating to any Tax,
- (vi) an acquisition, disposal or supply of assets, goods, services or business facilities of any kind (including a loan of money or a letting, hiring or licensing of tangible or intangible property) for a consideration which is treated for Tax purposes as different from the actual consideration which is treated for Tax purposes as different from the actual consideration, or which gives rise to a Liability to Taxation on an amount larger than the difference between the sale proceeds and the value of that asset in the Accounts or, in the case of an asset acquired since the Accounts Date, the cost of that asset;
- (vii) anything which relates to or involves the acquisition or disposal of an asset or the supply of services (including the lending of money or the hiring or licensing of intangible property) in a transaction which is not entered into on arm's length terms, or
- (viii) anything which involves or leads directly or indirectly to a change of residence of the Company for Tax purposes

Part 2 - Tax Covenant

2 Covenant

- 2 1 Subject to the provisions of this Part 2 of this Schedule 5, the Covenantors covenant on a joint and several basis with the Buyer to pay to the Buyer an amount equal to the amount of
- 2 1.1 any Liability to Taxation which has arisen or arises as a result of or in connection with any Event which occurred wholly or mainly on or before Completion or a period commencing before Completion, whether or not such Liability to Taxation has been discharged on or before Completion, and
- 2 1.2 any liability of the Company to make a payment in respect of Taxation to any person which has arisen or arises as a result of or in connection with any Event which occurred wholly or mainly on or before Completion, whether or not such liability has been discharged on or before Completion, including any liability of the Company to make a payment in respect of Taxation to any person under any indemnity, covenant, guarantee or charge entered into by the Company on or before Completion;
- 2 1 3 any Liability to Taxation (including but not limited to income tax and/or employees' national insurance contributions under the PAYE system or otherwise) in each case in respect of or by way of reference to the Consideration whether or not such liability is triggered by the actual or deemed (by a Taxation Authority) occurrence of an Event wholly or mainly on or after Completion or otherwise and any additional Liability to Taxation including penalties, fines, surcharges and/or interest which arises in respect of any such liability,
- 2 1 4 any costs, fees or expenses (including legal costs on a full indemnity basis) properly and reasonably incurred by the Company or the Buyer in connection with
- (a) any Liability to Taxation or other liability in respect of which the Covenantors are liable under any of paragraphs 2 1 1 to 2 1 3, or
- (b) any Tax Claim or any Dispute, or
- (c) taking or defending any action (including but not limited to legal proceedings) under this Part 2 of this Schedule 5
- 2 2 Notwithstanding the generality of paragraph 2 1 the Covenantors covenant on a joint and several basis with the Buyer to pay to the Buyer an amount equal to the amount of:
- 2.2 1 any Liability to Taxation which has arisen or arises as a result of or in connection with any transaction including but not limited to a supply of services or disposal of assets or the making of loans between the Company and any person including but not limited to the substitution of an arms length price or market value under legislation in Hong Kong, the PRC, or other jurisdiction
- 2.2 2 any Liability to Taxation which has arisen or arises to account for income tax or national insurance contributions (primary or secondary) and any fines, penalties and interest relating thereto under the PAYE system or otherwise,

- 2.2.3 any Liability to Taxation which has arisen or arises from the payment of any royalties or rental payments made by the Company,
- 2.2.4 any Liability to Taxation arising from disposals of, or subscriptions for, any shares at less than market value,
- 2.2.5 any Liability to Taxation arising from any underpayment of VAT,
- 2.2.6 any Liability to Taxation arising from underpayments of social security contributions including, without limitation, retirement fund, unemployment, medical, pregnancy and vocational injury, and housing fund contributions,
- 2.2.7 any Liability to Taxation arising from any dividend payments from the Company to its shareholders,
- 2.2.8 any Liability to Taxation arising from any reorganisations, share transactions or other transactions of a similar nature effected on or before the date of this agreement;
- 2.2.9 any Liability to Taxation arising as a result of certificates for the use of land being transferred by the Company,
- 2.2.10 any Liability to Taxation arising in connection with the Company's failure to pay land use rights transfer fees and other fees and/or penalties payable by that Company in connection with the transfer of any property,
- 2.2.11 any reasonable costs, fees or expenses incurred by the Company or the Buyer for a successful claim in connection with any Liability to Taxation or other liability in respect of which the Covenantors are liable under paragraph 2.2.

3 Quantification

For the purposes of paragraph 2 the amount of a Liability to Taxation will be determined as follows.

- 3.1 the amount of a Liability to Taxation falling within paragraph (a) of the definition of that expression in paragraph 1.1 will be the amount of the actual payment of Taxation which the Company is liable to make,
- 3.2 the amount of a Liability to Taxation falling within paragraph (b) of the definition of that expression in paragraph 1.1 will be the amount of Taxation saved by the Company as a result of the use of the Future Relief or Accounts Relief, and
- 3.3 the amount of a Liability to Taxation falling within paragraph (c) of the definition of that expression in paragraph 1.1 will be
 - 3.3.1 the amount of Taxation which would have been saved by the Company but for the loss of the Accounts Relief on the basis of the rates of Taxation current at the date of the loss; or
 - 3.3.2 if the Accounts Relief lost was a right to a repayment of Taxation, the amount of the repayment of Taxation so lost

3 4 the amount of a liability of the Company to make a payment in respect of Taxation will be the amount of the payment in respect of Taxation which the Company is liable to make.

4 Exclusions

4 1 The Covenantors will not be liable under paragraph 2 1 or 2 2 in respect of a Liability to Taxation of the Company to the extent to which:

4 1.1 such Liability to Taxation was discharged or settled on or before Completion and the discharge or settlement of such Liability to Taxation was reflected in the Accounts or arose in the ordinary course of business since the Accounts Date, or

4 1 2 provision or reserve for such Liability to Taxation (other than by way of a provision or reserve for deferred taxation) was made in the Accounts or the Liability to Taxation arose in the ordinary course of business since the Accounts Date; or

4 1 3 payment has already been made in respect of such Liability to Taxation under this Part 2 or Part 3 of this Schedule 5, or

4 1 4 such Liability to Taxation would not have arisen but for a change in legislation (including but not limited to an increase in rates of Taxation) or in the published practice of any Taxation Authority first enacted or announced after Completion, or

4 1 5 such Liability to Taxation would not have arisen but for a voluntary act, transaction or omission of the Company after Completion

(a) otherwise than pursuant to a legally binding obligation entered into by the Company on or before Completion or imposed on the Company by any legislation whether coming into force before, on or after Completion or for the purpose of avoiding or mitigating a penalty imposable by such legislation, and

(b) which the Buyer was aware or ought reasonably to have been aware would give rise to the Liability to Taxation or other liability in question, and

(c) otherwise than in the ordinary course of business of the Company, and

(d) otherwise than at the written request of the Covenantors whether pursuant to this agreement or otherwise, or

4 1 6 such Taxation results from or is increased or extended by any change on or after Completion in

(a) the accounting reference date of the Company, or

(b) any change in the accounting policies or tax reporting practices of the Company,

other than a change required to comply with IFRS applicable to the relevant accounting periods; or

- 4 1 7 to the extent that such Taxation would not have arisen or would have been reduced or eliminated but for the failure or omission by the Buyer or the Company after Completion (other than at the request of a Covenantor) to make any election or claim any Relief or give any notice the making, giving or doing of which was taken into account in computing and so reducing any provision for taxation which appears in the Accounts and which the Covenantors have given written notice to the Buyer of the need to make such claim or election to ensure it be made in a timely manner,
- 4 1 8 the liability relates to stamp duty or equivalent transaction, recording or registration Taxation or fees arising out of the transfer of the Sale Share or agreement to transfer the Sale Share;
- 4 1 9 the liability would not have arisen but for anything expressly provided to be done pursuant to this agreement or this Tax Covenant or which is otherwise done or omitted to be done at the written request or with the written consent of the Buyer;
- 4.1.10 the income profits or gains in respect of which the liability under paragraph 2 above arise were actually earned, accrued or received (and which were not deemed for the purposes of any Taxation to be earned, accrued or received) by the Company but were not reflected in the Accounts,
- 4 1 11 the liability has been satisfied by the Covenantors (or any of them) by reason of being liable for, and having discharged such liability for, such Taxation under any relevant statutory provision; or
- 4 1 12 the liability has been made good or otherwise compensated for at no expense to the Buyer or the Company

5 Deductions from payments

- 5 1 Except as required by law all payments by the Covenantors under this Part 2 of this Schedule 5 will be made free and clear of all deductions and withholdings in respect of Taxation
- 5 2 If any deduction or withholding is required by law to be made from any payment by the Covenantors under this Part 2 of this Schedule 5 or if (ignoring any available Relief) the Buyer is subject to Taxation in respect of any payment by the Covenantors under this Part 2 of this Schedule 5, the Covenantors covenant with the Buyer to pay to the Buyer such additional amount as is necessary to ensure that the net amount received and retained by the Buyer (after taking account of such deduction or withholding or Taxation) is equal to the amount which it would have received and retained had the payment in question not been subject to the deduction or withholding or Taxation

6 Due date for payment

- 6 1 The due date for the making of a payment by the Covenantors under this Part 2 of this Schedule 5 will be

- 6.1.1 the date falling 7 Business Days before the date on which the Company is required to meet the relevant liability; or
 - 6.1.2 in any case involving a liability of the Company to make an actual payment (whether or not a payment of Taxation), the date falling 7 Business Days before the last date upon which the payment is required to be made to the person entitled to the payment, or
 - 6.1.3 in any case involving the loss of an Accounts Relief other than the right to repayment of Taxation, the date falling 7 Business Days before the last date upon which the payment of Taxation is or would be required to be made in respect of the accounting period in which the Accounts Relief is lost.
- 6.2 If any payment required to be made by the Covenantors under this Part 2 of this Schedule 5 is not made by the due date, ascertained in accordance with paragraph 6.1, then such payment will bear interest in accordance with the terms of Clause 18.14 of this agreement
- 7 Claims procedure**
- 7.1 If the Buyer or the Company becomes aware of any matter which may give rise to a Tax Claim it will as soon as reasonably practicable give notice to the Covenantors, provided that the giving of such notice will not be a condition precedent to the liability of the Covenantors under paragraph 2.
- 7.2 Subject to paragraph 7.4 and provided that the Covenantors indemnify and secure the Company, the Buyer and all other members of the Enlarged Group to the reasonable satisfaction of the Buyer against all losses, costs, damages and expenses (including interest or surcharge on overdue Taxation) which may be incurred thereby, the Buyer will procure that the Company, at the Covenantors' cost and expense, takes such action and gives such information and assistance in connection with its Taxation affairs as the Covenantors may reasonably and promptly request to dispute, appeal against, settle or compromise any Tax Claim, including applying to postpone (so far as legally possible) the payment of any Taxation, but not including allowing the Covenantors or their advisors to undertake the conduct of the Dispute
- 7.3 Subject to paragraphs 7.4 and 7.5, and to compliance by the Covenantors with paragraph 7.2 in relation to any Dispute, the Buyer will not, and will procure that the Company will not, without the prior written consent of the Seller's Representative, such consent not to be unreasonably withheld or delayed
- 7.3.1 transmit any communication (whether written or otherwise) to any Taxation Authority,
 - 7.3.2 settle or compromise the relevant Tax Claim, or
 - 7.3.3 agree any matter which is likely to affect the amount of the relevant Tax Claim or any future Liability to Taxation
- 7.4 The Buyer will not be required to take or procure that the Company will take any action mentioned in paragraph 7.2

- 7 4 1 which it considers to be materially prejudicial to the business or Taxation affairs of the Company, the Buyer or any other member of the same group of companies as the Buyer or on any other reasonable ground; or
- 7 4 2 which involves contesting a Tax Claim beyond the first appellate body (excluding the Taxation Authority which has made the Tax Claim) in the jurisdiction concerned unless the Covenantors obtain (at the Covenantors' cost and expense) the opinion of tax counsel or its equivalent of at least five years' call that it is reasonable in all circumstances to make such an appeal
- 7 5 If the Covenantors fail promptly (and in any event within 10 Business Days of the Buyer giving notice requiring the Covenantors to do so) to inform the Buyer of any action which the Covenantors wish the Buyer to procure the Company to take under paragraph 7 2, the Buyer will be entitled to procure that the Company settles or compromises any Tax Claim on such terms as it determines in its absolute discretion
- 8 **Time limit**
 - 8 1 The Covenantors will not be liable under paragraph 2 in respect of a Liability to Taxation or other liability of the Company unless within seven years after Completion the Buyer has given notice to the Covenantors of any Claim whatsoever relating to such Liability to Taxation or other liability, or of any Event which may give rise to such a Claim
 - 8 2 The time limit in paragraph 8 1 will not apply in any case involving dishonest, fraudulent or negligent conduct on the part of the Covenantors, the Company or any person acting on behalf of any of the Covenantors or the Company occurring on or prior to Completion
- 9 **Savings**
 - 9 1 If (at the Covenantors' request and expense) the Auditors determine that the Company has obtained a Saving, the Buyer will offset such Saving against any claim under this Schedule 5 of which it has given notification to the Covenantors
 - 9 2 To the extent that no claim under this Schedule 5 is outstanding the Buyer will as soon as reasonably practicable thereafter repay to the Covenantors the lesser of
 - 9 2 1 the amount of the Saving (as determined by the Auditors), and
 - 9 2 2 the amount paid by the Covenantors under paragraph 2 in respect of the Liability to Taxation which gave rise to the Saving less any part of that amount previously repaid to the Covenantors under any provision of this agreement or otherwise
 - 9 3 The Company will be entitled to use in priority to any Relief which gives rise to a Saving any other Relief available to it (including by way of surrender by another company to it) to reduce or eliminate any liability to make an actual payment of corporation tax
 - 9 4 The Company will not obtain a Saving until the last date upon which it would have been obliged to make the actual payment of corporation tax which has been reduced or eliminated in order to avoid incurring interest thereon

9.5 In determining whether the Company has obtained a Saving, the Auditors will act as experts and not as arbitrators and their determination will (in the absence of manifest error) be conclusive and binding on the parties

10 Recovery from other persons

10.1 If the Company recovers from any other person (including any Taxation Authority but excluding the Buyer and any member of the Enlarged Group) any amount which is referable to a Liability to Taxation or other liability of the Company in respect of which the Covenantors have made a payment under paragraph 2, the Buyer will repay to the Covenantors the lesser of.

10.1.1 the amount so recovered (less any losses, costs, damages and expenses incurred by the Company or the Buyer as a result of the recovery of that amount), and

10.1.2 the amount paid by the Covenantors under paragraph 2 in respect of the Liability to Taxation or other liability in question less any part of such amount previously repaid to the Covenantors under any provision of this agreement or otherwise

10.2 If the Buyer becomes aware that the Company is entitled to recover any amount mentioned in paragraph 10.1, the Buyer will as soon as reasonably practicable give notice of that fact to the Covenantors and provided that the Covenantors indemnify and secure the Company, the Buyer and all other members of the Buyer's Group to the reasonable satisfaction of the Buyer against all losses, costs, damages and expenses which may be incurred thereby, the Buyer will procure that the Company, at the Covenantors' cost and expense, takes such action as the Covenantors may reasonably and promptly request to effect such recovery

10.3 The action which the Covenantors may request the Company to take under paragraph 10.2 does not include

10.3.1 any action which the Buyer considers to be materially prejudicial to the business or Taxation affairs of the Company, the Buyer or any other member of the Buyer's Group or to which the Buyer objects on any other reasonable ground, or

10.3.2 allowing the Covenantors to undertake the conduct of any action necessary to effect recovery of the amount in question

11 Corporation Income Tax Returns

11.1 Subject to this paragraph 11, the Buyer will have exclusive conduct of all Taxation affairs of the Company after Completion

11.2 The Buyer will procure that the Company keeps the Covenantors fully informed of its Taxation affairs in respect of any accounting period ended on or prior to Completion for which final agreement with the relevant Taxation Authority of the amount of Taxation due from the Company has not been reached and will not submit any correspondence or submit or agree any return or computation for any such period to any Taxation Authority without giving the Covenantors a reasonable opportunity to make representations thereon and without the prior written consent of the Covenantors (such consent not to be unreasonably withheld or delayed)

- 11 3 The Buyer will procure that the Company does not amend or withdraw any return or computation or any claim, election, surrender or consent made by the Company in respect of its accounting periods ended on or before Completion without the prior written consent the Covenantors (such consent not to be unreasonably withheld or delayed)

12 General

- 12.1 All payments by the Covenantors under this Part 2 of this Schedule 5 will be treated as repayments by the Covenantors of the Consideration paid for the Shares pursuant to this agreement, provided that this paragraph 12 will not operate in any way to limit the liability of the Covenantors under this Part 2 of this Schedule 5.
- 12 2 In the event of any differences in interpretation between the agreement and this Tax Covenant the construction in the Tax Covenant shall prevail

Part 3 - Tax Warranties

13 Returns, records, disputes and clearances

- 13 1 All notices, returns, computations, registrations, information and payments which should have been made or supplied by the Company for any Taxation purpose have been made within the requisite periods and are up-to-date, correct and on a proper basis and none of them is, or so far as the Seller is aware is likely to be, the subject of any dispute with any Taxation Authority
- 13.2 The Company is not involved in any dispute with any Taxation Authority or has ever been the subject of any investigation or enquiry by any Taxation Authority (other than routine questions), no Taxation Authority has indicated that it intends to investigate the Taxation affairs of the Company and so far as the Covenantors are aware there are no circumstances which are likely to give rise to any such investigation
- 13 3 All consents and clearances obtained by the Company from any Taxation Authority remain valid and effective and any transaction for which any such consent or clearance has been obtained has been carried into effect (if at all) only in accordance with the terms of the relevant consent or clearance, including the terms of the application for the relevant consent or clearance
- 13 4 No action has been taken by or on behalf of the Company which has had or is likely to have the result of altering, prejudicing or in any way disturbing any dispensations, concessions, arrangements and agreements (whether formal or informal) negotiated with or granted by any Taxation Authority.

14 Penalties and interest

The Company has not within the period of six years ending on the date of this agreement paid, nor is liable to pay, any fine, penalty, charge, surcharge or interest charged by virtue of any of the provisions of any Taxation Statute nor are there any circumstances which are likely to cause the Company to become liable to pay any fine, penalty, charge, surcharge or interest

15 Taxation claims, liabilities and relief

15.1 The Company has sufficient records to fulfil its obligations under all Taxation Statutes and to enable it to make and complete returns for Taxation purposes and to calculate the Liability to Taxation or relief arising:

15.1.1 in respect of or by reference to any Event occurring on or before Completion; or

15.1.2 on the disposal of any asset owned by it at Completion.

15.2 The Company has duly and properly made all Taxation claims, disclaimers, elections and surrenders and given all notices and consents and done all other things in respect of Taxation the making, giving or doing of which was assumed to have been made for the purposes of the Accounts, all such claims, disclaimers, elections, surrenders, notices, consents and other things have been accepted as valid by the relevant Taxation Authority and none has been revoked or otherwise withdrawn

15.3 The Company is not, nor will it become, liable to pay, or make reimbursement or indemnity in respect of, any Taxation (or amounts corresponding to any Taxation) payable by or chargeable on or attributable to any other person, whether in consequence of the failure by that person (not being the Company) to discharge that Taxation within any specified period or otherwise, where such Taxation relates to a profit, income or gain, transaction, event, omission or circumstance arising, occurring or deemed to arise or occur (whether wholly or partly) on or prior to Completion

16 Distributions and payments

16.1 The Company has deducted and properly accounted to the appropriate Taxation Authority for all amounts which it has been obliged to deduct in respect of Taxation (whether under PAYE system or otherwise), has complied fully with all reporting requirements relating to all such amounts and has (where required by the applicable Taxation Statute) duly provided certificates of deduction of tax to the recipients of payments from which deductions have been made.

16.2 No rents, interest, annual payments, payments to a present or former director or employee, or other sums paid or payable by the Company since Completion, or which the Company is under an obligation to pay, will be wholly or partially disallowable as deductions or charges in computing the profits of the Company for the purposes of corporate income tax

17 Employee benefits

17.1 The Company has properly operated the PAYE, by making deductions, as required by the applicable Taxation Statute, from all payments made (including notional payments), or treated as made, to its directors, employees or officers or former directors, employees or officers or any persons required to be treated as such, and accounting to the relevant Taxation Authority for all Taxation so deducted and for all Taxation chargeable on the Company on benefits provided for its directors, employees or officers, or former directors, employees or officers.

17 2 No liability to national insurance contributions or obligation to account for income tax under PAYE could fall on the Company as a result of any chargeable event before, at or after Completion in respect of securities and interests in securities made available or securities options granted to an employee or director prior to Completion

17 3 The Company has made all payments of social security contributions, including without limitation, retirement fund, unemployment, medical, pregnancy and vocational injury and housing contributions, which it is required to make.

18 Tax avoidance

The Company has not entered into or been a party to any scheme, arrangement or transaction designed wholly or mainly or containing steps or stages having no commercial purpose and designed wholly or mainly for the purpose of avoiding or deferring Taxation or reducing a Liability to Taxation or amounts to be accounted for under PAYE

19 Stamp duty

All documents which are liable to stamp duty and which confer any right upon the Company or on which the Company may need to rely have been sufficiently stamped and no document which confers any right upon the Company or on which the Company may need to rely and which is outside the United Kingdom would attract stamp duty if it were brought into the United Kingdom and there is no liability to any penalty in respect of such duty or circumstances which may give rise to such a penalty.

20 Residence and offshore interests

20 1 The Company is and has at all times been resident for Taxation purposes in, and only in, the jurisdiction in which it was incorporated and is not and has never been treated as resident anywhere else at any time since its incorporation and will be so resident at Completion

20 2 The Company is not liable for any Taxation as the agent or Tax representative of any other person or business and does not constitute a permanent establishment of any other person, business or enterprise for any Taxation purposes

21 Transfer pricing/Thin capitalisation

21 1 The Company has not undertaken, or agreed to undertake, any transaction or made any provision whatsoever (either of services, goods, intangible rights, finance or otherwise) which is otherwise than on fully arm's length terms and there are no circumstances which could oblige it or any Taxation Authority to make or require to be made any adjustment for Taxation purposes to the terms on which such transactions are treated as taking place

21 2 Documentation is available to demonstrate the criteria taken into account in determining arm's length terms for transactions or provisions of goods or services between the Company and any of the Covenantors or parties with which any of the Covenantors is connected.

21 3 The Company has not by reason of being connected with any of the Covenantors obtained the whole or any part of a loan or obtained the benefit of a loan on more favourable terms than it would have received in the absence of such relationship.

22 Balance Sheet and subsequent events

22 1 The Balance Sheet properly provides or reserves, in accordance with IFRS, for all Taxation (including deferred tax) for which the Company is or may be liable, or for which it may be accountable, as at the Accounts Date

22 2 Since the Accounts Date no disposal or other event has taken place which, had it been planned at the Accounts Date, should have been reflected in the provision for deferred tax contained in the Balance Sheet.

23 Royalties & Rental Payments

The Company has deducted all necessary withholding or other deductions from any royalty or rental payments it has made.

24 Shares and Market Value

The shares of the Company have always been disposed of or subscribed for at market value.

25 Value Added Tax

25 1 The Company is taxable person, and is duly registered in the jurisdiction in which it was incorporated, for the purposes of any VAT and such registration is not subject to any conditions imposed by or agreed with any Taxation Authority

25 2 The Company has complied in all material respects with all relevant law relating to VAT and all orders, provisions, directions or other conditions made or imposed thereunder or under any other law relating to VAT

25 3 The Company is not and has never been a member of a group for the purpose of any VAT

25 4 The Company has not been served with any penalty liability notice or any surcharge liability notice or been issued with any written warning in each case in relation to VAT

25 5 The Company has not registered, and is not required to register, for VAT purposes in any country other than that in which it is incorporated

SCHEDULE 6

The Properties

- 1 The Subsidiary's only factory and production facility is located at West of Double Moon Lake Road, Linyi High-tech Industrial Development Zone, Linyi City, Shandong Province, PRC which occupies a land area of 33,044.66 m² ("Existing Facilities")
- 2 The land use rights and building use rights listed in the table below represents all the land use rights and building use rights currently owned by the Subsidiary

A. Land Use Right		
I.	Certificate No .	Lin Kai Guo Yong (2003) Zi No.007 临开国用(2003) 字第007号
	Location	South Side, West of Double Moon Lake Road, Linyi High-tech Industrial Development Zone
	Lot Number	401/3/029
	Type of Use	Industrial
	Valid Period	17 February 2003 to 16 February 2053
	Lot Size	33,044.66 m ²
II.	Certificate Number	Lin Kai Guo Yong (2007) Zi No 016 临开国用(2007) 字第016号
	Location	East Side of East Binhe Road, Economic Zone
	Lot Number	503/3/019
	Type of Use	Industrial
	Valid Period	20 December 2007 to 20 December 2057
	Lot Size	45,743.5 m ²
B. Building Use Rights		
I.	Certificate No	Lin Fang Quan Zheng Luozhuang District Zi No 32050001 (临房权证罗庄区字第32050001号) issued by Real Estate Management Bureau of Linyi (临沂房产管理局) on 2 December 2004
	Location	South Side, West of Double Moon Road, High-tech Industrial Development Zone

	Manner acquired	Self-built
	Floors	1
	Use	Office building and industrial factory building
	Approximate building area	2,414 64 m ²
II.	Certificate Number	Lin Fang Quan Zheng Luozhuang District Zi No.32050002 (临房权证罗庄区字第32050002号) issued by Real Estate Management Bureau of Linyi (临沂房产管理局) on 2 December 2004
	Location	South Side of West Double Moon Road, High-tech Industrial Development Zone
	Manner acquired	Self-built
	Floors	1
	Use	Industrial factory building
	Building area	41 1 m ²
III.	Certificate Number	Lin Fang Quan Zheng Luozhuang District Zi No 32050003 (临房权证罗庄区字第32050003号) issued by Real Estate Management Bureau of Linyi (临沂房产管理局) on 2 December 2004
	Location	West Double Moon Road, High-tech Industrial Development Zone
	Manner acquired	Self-built
	Floors	4
	Use	Industrial factory building
	Building area	3,688 04 m ²
IV.	Certificate Number	Lin Fang Quan Zheng Luozhuang District Zi No.32050004 (临房权证罗庄区字第32050004号) issued by Real Estate Management Bureau of Linyi (临沂房产管理局) on 2 December 2004
	Location	South Side of West Double Moon Road, High-tech Industrial Development Zone
	Manner acquired	Self-built

	Floors	4
	Use	Industrial factory building
	Building area	4,732.58 m ²

- 3 Pursuant to a land assignment agreement dated 12 July 2007 made between the Subsidiary and Administration Committee of High-tech Industrial Zone of Linyi Municipal People's Government, the Subsidiary agreed to acquire an approximately 14,700 sq. m. plot of land at South Side, West of Double Moon Lake Road, Linyi High-tech Industrial Development Zone, Linyi City, Shandong Province, PRC (adjacent to the Existing Facilities) The Subsidiary has fully paid the consideration of RMB 5,301,600 and the land use certificate for the said land is currently being processed and there are no legal obstacles to the procurement of such land use certificates

DUE DILIGENCE REPORT
ON
LINYI VAN SCIENCE AND TECHNIQUE CO., LTD.
(临沂先锋科技有限公司)

BY
JINGTIAN & GONGCHENG

3 September, 2008

NAME OF COMPANY Linyi Van Science and Technique Co , Ltd (the
“Company”)

CHINESE NAME. 临沂先锋科技有限公司

PLACE OF INSPECTION Linyi, Shandong Province / Beijing

DATE OF INSPECTION 3 September 2008

INSPECTED BY Jingtian & Gongcheng

PREAMBLE

This Due Diligence Report is prepared in connection with the proposed reverse takeover (“**RTO**”) of Honour Field International Limited (“**HFI**”), a company incorporated in the British Virgin Islands and the holding company of Linyi Van Science and Technique Co , Ltd (the “**Company**”) by Ninety plc (“**Ninety**”), and the re-admission of the shares of Ninety (“**Re-Admission**”) on the AIM Market of the London Stock Exchange plc (“**AIM**”) and this Due Diligence Report is addressed to the following parties

- 1 Ninety plc
 53 Davies Street
 London W1K 5JH
- 2 JMFinn Capital Markets Limited
 4 Coleman Street
 London EC2R 5TA
- 3 Stephenson Harwood
 1 Raffles Place
 #49-00 OUB Centre
 Singapore 048616

For the purpose of rendering this Due Diligence Report, we have reviewed and examined originals or copies, certified or otherwise identified to our satisfaction, of documents, materials, certificates, records and papers provided to us by the Company or its advisors herein mentioned and representations or statements made by the Company or related parties herein mentioned on the relevant facts and information as we deemed necessary or advisable

For the purpose of rendering this Due Diligence Report, we have assumed that (a) all documents submitted to us as copies conform to their originals, (b) all signatures, seals and chops on such documents are genuine and duly authorized, (c) all facts and documents which may affect our opinions herein have been disclosed to us, and there has not been any omission or misleading statement in respect of such disclosure, (d) all non-PRC parties have the requisite power and authority to enter into, and have duly executed and delivered and performed their obligations in all relevant documents referred to in this Due Diligence Report, and that the documents constitute legal, valid

and binding obligations on the non-PRC parties under the laws (other than the laws of the PRC) by which they are expressed to be governed. In addition, we have made the necessary (verbal and written) queries and consultations with relevant PRC governmental authorities, departments, branches and bureaus, as we deemed necessary, advisable or desirable.

Unless otherwise provided herein, this Due Diligence Report is given on the basis of PRC laws, regulations, rules, directives, circulars, notices and administrative directions effective as of the date of this Due Diligence Report (hereinafter collectively referred to as “**PRC Laws**”) and is given on the basis that the opinion stated herein will be governed by, and construed in accordance with such laws and regulations. There is no assurance that such laws and regulations will not be repealed, amended or replaced in the immediate future or in the long term with or without retrospective effect. We also cannot assure that such laws and regulations will not be adversely interpreted by the relevant authorities. Therefore, we cannot assure that the Company will not be required to obtain certain approvals or certificates ordered by the relevant authority.

We do not purport to be experts on or generally familiar with or qualified to express legal opinion based on the laws of any jurisdiction other than the PRC. Accordingly, we express or imply no opinion on the laws of any jurisdiction other than the PRC.

BASED ON AND SUBJECT TO THE FOREGOING, we report in due diligence that

SUMMARY

1. According to the documents provided by the Company, the Company's profile is as follows:

Licence Number	371300018017550
Name	Linyi Van Science and Technique Co., Ltd (临沂先锋科技有限公司)
Address	: West of Double Moon Lake Road, Linyi High -tech Industrial Development Zone, Linyi, Shandong Province (山东临沂高新技术产业开发区双月湖路西段)
Legal Representative	Wang Yanting (王彦廷)
Registered Capital	RMB10,580,000
Paid Capital	RMB10,580,000
Total Investment	RMB15,000,000
Enterprise Type	Limited Liability Company (Wholly Foreign Owned Enterprise)
Business Scope	Intermediates (Food Additive-Sorbic Acid and Potassium Sorbate), Nanomaterials,(any items required permit to produce, shall be operated under the relevant production permit) [中间体 (山梨酸系列) , 纳米材料,银杏深加工系列产品 (涉及许可经营的, 凭许可证经营)
Present Shareholder	Honour Field International Limited (Company No 1414693, incorporated in British Virgin Islands on July 3, 2007)
Operation Period	From July 17, 2007 to May 20, 2028
Date of Establishment	July 17, 2001
Date of Latest Licence	May 26, 2008
Registered Authority	Shandong Administration for Industry and Commerce

	(“Shandong AIC”)
Inspection Status	Passed the 2007 annual inspection conducted by Shandong AIC

I. REVIEW OF LEGAL STATUS OF THE COMPANY

1. History of the Company

The Company was registered with the Linyi Administration of Industry and Commerce (“Linyi AIC”) as a PRC domestic company at the time of incorporation

On May 26, 2008, the Company was acquired by HFI and became a wholly foreign owned enterprise (“WFOE”). After the aforesaid acquisition, all required registrations were transferred to Shandong AIC, who is in charge of all WFOEs in Shandong Province

Based on the relevant documents provided by the Company, the following records have been filed with Shandong AIC

1.1 Establishment

1 1 1 The Company was established as a limited liability company by Linyi Gaoxin Investment Co , Ltd. (“Linyi Gaoxin”) (临沂高新投资有限公司), Linyi Economic Development Consulting Co , Ltd (“Linyi Consulting”) (临沂经济开发投资咨询公司), and Linyi Gaochuang Services Limited Co , Ltd (“Linyi Gaochuang”) (临沂高创服务有限公司) on July 17, 2001

The equity interest structure of the Company was as follows

Shareholders	Registered Capital (RMB)	Contribution Form	Proportion
Linyi Gaoxin	5,000,000	Cash	47.26%
Linyi Consulting	3,000,000	Cash	28.35%
Linyi Gaochuang	2,580,000	Cash and Land Use Right	24.39%

1 1 2 According to the Capital Verification Report [No Lu Dayu Kuai Yan Zi [2001] NO 46] (鲁大宇会验字[2001]第 046 号) issued by Shandong Dayu Accounting Firm Limited(山东大宇有限责任会计师事务所) dated July 12, 2001, the registered capital in the form of cash has been fully paid. The land use right in the value of RMB2,280,000 should be transferred to the Company within six months after the establishment of the Company

1 1 3 On July 17, 2001, Linyi AIC issued a business licence to the Company

with the basic profile as follows.

Licence Number	371300018017550
Name	Linyi Van Science and Technique Co., Ltd
Address	Linyi City of Shandong Province
Legal Representative	Shao Mingxing (邵明星)
Registered Capital	RMB10,580,000
Enterprise Type	Limited Liability Company
Business Scope	Intermediates (Food Additive-Sorbic Acid and Potassium Sorbate), Nanomaterials, Gingko products, (any items required permit to produce, shall be operated under the relevant production permit)
Duration of Operation	July 17, 2001 to September 16, 2001
Date of Establishment	July 17, 2001

1.1.4 The management of the Company was as follows when the Company was incorporated:

<p>Board of Directors</p> <ul style="list-style-type: none"> • Shao Mingxing (邵明星) Chairman • Zhang Tinggui (张廷贵) • Gao Yanqing (高彦庆) • Jiang Jie (姜杰) • Yu Shuqi (于淑起)
<p>Board of Supervisors</p> <ul style="list-style-type: none"> • Sun Shide (孙仕德) • Yan Liangfu(阎良赋) • Yang Liqing (杨立青)
<p>General Manager</p> <ul style="list-style-type: none"> • Jiang Jie (姜杰)

Supporting Documents

- 1) Business Licence issued by Linyi AIC dated July 17, 2001
- 2) Capital Verification Report [No Lu Dayu Kuai Yan Zi [2001] NO 46] (鲁

大宇会验字[2001]第 046 号) issued by Shandong Dayu Accounting Firm Limited (山东大宇有限责任会计师事务所)dated July 12, 2001

- 3) Articles of Association of the Company signed by Linyi Gaoxin, Linyi Consulting, and Linyi Gaochuang
- 4) Resolution of Electing the Board of Directors dated June 26, 2001
- 5) Resolution of Electing the Board of Supervisors dated June 26, 2001
- 6) Resolution of Electing General Manager dated June 20, 2001
- 7) Resolution of Electing Chairman dated June 26, 2001
- 8) Asset Valuation Report issued by Shandong Dayu Accounting Firm Limited dated July 12, 2001

Conclusion

- 1 According to the Capital Verification Report [No Lu Dayu Kuai Yan Zi [2001] No 46] (鲁大宇会验字 [2001] 第 046 号) issued by Shandong Dayu Accounting Firm Limited, Linyi Gaochuang promised to transfer the land use right in the value of RMB 2,280,000 to the Company as registered capital within six months after the establishment of the Company, however, we noticed that the land use right was not transferred as scheduled. According to an written confirmation by the Company, the land use right was not transferred to the Company until February 17, 2003, which is a violation of PRC Company Law, as well as the Company's Articles of Association [According to Land Use Right Certificate which is subscribed as registered capital (No Lin Kai Guo Yong (2003) Zi No 007) , the land had been duly transferred to the Company. We are of the opinion that (a) although according to PRC Company Law, shareholders who fail to make capital contribution as scheduled shall, in addition to making the capital contribution in full, bear default liability towards other shareholders who have made their capital contributions in full in accordance with the schedule, and may be ordered by the company registration authorities to make correction and imposed with a fine ranging from 5% to 15% of the amount of false capital contribution. There is no penalties or fines due and payable imposed upon the Company to date in this regard since the land use right had already been transferred to the Company on February 17, 2003 to remedy the abovementioned breach according to the land use right certificate supplied by the Company (No Lin Kai Guo Yong (2003) Zi No 007) ,(b) the aforesaid non-compliance shall not affect the legal status of the Company and shall not pose any risks upon the prospective operation of the Company
- 2 In accordance with the Articles of Association of the Company, there should be four supervisors, however, we noticed that there are only three supervisors registered in Linyi AIC
- 3 Notwithstanding the aforesaid, the Company was duly established as a PRC domestic company with limited liability in 2001. All approvals, consents, licences and registrations required by applicable PRC Laws for the establishment of the Company have been duly obtained. The non-complying changes do not pose any legal issues and there are no penalties or fines payable in relation thereto in view of the fact that the competent authority approvals for those changes had been obtained

1.2 First Extension of Operation Period

- 1 2 1 On September 28, 2001, the Company obtained the renewed business licence which extended the Company's operation period from September 16, 2001 to March 16, 2002.
- 1 2 2 The Shareholders' Meeting approved the extension of operation period on September 25, 2001 (*please refer to Conclusion 1 hereinafter*)
- 1 2 3 The amended Articles of Association was adopted on September 24, 2001 by the Chairman of the Company
- 1 2 4 The extension of operation period has been filed with Linyi AIC for registration and was approved on September 28, 2001.

Supporting Documents

- 1) Business Licence issued by Linyi AIC dated September 28, 2001
- 2) Resolution of the Board of Directors dated September 25, 2001
- 3) Amendment to the Articles of Association dated September 24, 2001

Conclusion

- 1 We noticed that the amendment to the Articles of Association was adopted by the Chairman rather than by the Company's shareholders during shareholders' meeting as pursuant to PRC Company Law and the Company's Articles of Association. We are of the opinion that, notwithstanding the aforesaid, (a) the amendment is valid since Linyi AIC had approved it regardless of the fact that there was a non-compliance with and breach of the Articles of Association, and (b) there is no penalties or fines due and payable to date
- 2 We also noticed that a Land Lease Agreement made by the Company and the Administration Committee of Linyi High-tech Industrial Development Zone to lease 40,000 m² of land located in the southern part of West of Double Moon Lake Road, High-tech Industrial Development Zone, is for 20 years. According to information supplied by the Company, the leased land in question is the land that was subsequently contributed as registered capital by Linyi Gaochuang mentioned in 1.1 of Part I of this Due Diligence Report. The land was leased to the Company before the land use right was transferred to the Company
- 3 We are of the opinion that the extension of the Company's operation period was duly approved by Linyi AIC, and the operation period of the Company was extended accordingly. The non-compliance mentioned in paragraph (1) above does not pose any legal issue and there are no penalties or fines payable in relation thereto in view of the fact the competent authority approvals for those changes had been obtained

1.3 Second Extension of Operation Period

On March 20, 2003, the Company obtained the renewed business licence which extended the Company's operation period indefinitely

Supporting Documents

- 1) Business Licence issued by Linyi AIC dated March 20, 2003
- 2) Resolution of the Board of Directors passed to arrival the extension of business license on 20 March 2003
- 3) Amendment of the Articles of Association dated March 19, 2002

Conclusion

- 1 We noticed that the decision to extend the Company's operation period and to amend the Articles of Associations were made by the Board of Directors rather than by the Company's shareholders during shareholders' meeting as pursuant to PRC Company Law and the Company's Articles of Association. We are of the opinion that, notwithstanding the aforesaid, (a) the amendment is valid since Linyi AIC had approved it, though it is irregular and in breach of the Articles of Association, and (b) there is no penalties or fines due and payable to date,
- 2 We also noticed that there is a certificate for using collectively-owned land, with acreage of 40,000 m² in the registered file. According to the company, the abovementioned land is the same land which is subsequently contributed as registered capital by Linyi Gaochuang, which was firstly lease to the company, then transformed into collective owned land and owned by the Company (Collective Land Use Certificate No. Lin Kai Ji Yong (2002) No. 002) in March, 2002, and finally transformed into State Owned Land in February 17, 2003.
- 3 The extension of the Company's operation period was duly approved by Linyi AIC, and the operation period of the Company was extended accordingly. The non-complying changes do not pose any legal issues and there are no penalties or fines payable in relation thereto in view of the fact the competent authority approvals for those changes had been obtained.

1.4 Appointment of Legal Representative, Directors, and Supervisors

- 1.4.1 According to the business licence issued by Linyi AIC on June 9, 2003, the Legal Representative and Chairman of the Company was changed to Gao Yanqing.
- 1.4.2 Shao Mingxing was removed from the Board of Directors as well as legal representative and Gao Yanqing was elected to replace him.
- 1.4.3 New Board of Directors was elected by Shareholders' Meeting on May 28, 2003, comprising of Gao Yanqing, Zhang Tinggui, Liu Qijian and Feng Zhaojie.
- 1.4.4 New Board of Supervisors was elected by Shareholders' Meeting, on May 28, 2003, comprising of Zhang Kaixiang, Yang Liqing and Sun Shide.
- 1.4.5 Liu Qijian was appointed as General Manager by the Board of Directors on May 29, 2003.

After the change, the management of the Company was as follows

Board of Directors
<ul style="list-style-type: none">• Gao Yanqing (高彦庆) Chairman• Zhang Tinggui (张廷贵)• Liu Qijian (刘期鉴)• Feng Zhaojie (冯兆杰)
Supervisors
<ul style="list-style-type: none">• Zhang Kaoxiang (张考祥)• Yang Liqing (杨立青)• Sun Shide (孙仕德)
General Manager
<ul style="list-style-type: none">• Liu Qijian (刘期鉴)

Supporting Documents

- 1) Business Licence issued by Linyi AIC dated June 9, 2003
- 2) Resolution of Shareholders' Meeting dated May 28, 2003
- 3) Amendment to the Articles of Association dated May 28, 2003
- 4) Resolution of Election of Chairman dated May 28, 2003
- 5) Resolution of Election of General Manager dated May 29, 2003

Conclusion

- 1 We noticed that the Amendment to the Articles of Association was approved by Director Gao Yanqing, rather than by shareholders of the Company during shareholders' meeting as pursuant to PRC Company Law and the Company's Articles of Association. We are of the opinion that, although the aforesaid is not in compliance with the Articles of Association and is in violation of the PRC Company Law, it does not affect the validity of the amendment to the Company's Articles of Association since the competent authority had approved the change and there is no penalty accordingly.
- 2 All of the appointments and dismissals of Legal Representative, Directors and Supervisors as are apparent from the table above were approved by Linyi AIC and were effected accordingly and all necessary registration and filings had been duly completed in accordance with PRC Laws. The non-complying changes described in paragraph 1 above do not pose any legal issues and there are no penalties or fines payable in relation thereto in view of the fact the competent authority approvals for those changes had been obtained.

1.5 First Transfer of Equity Interest

- 1 5 1 On November 18, 2003, as approved by the Resolution made by the shareholders' meeting of the Company, Linyi Consulting transferred all its shares of the Company to Linyi Gaoxin in consideration of RMB 3,000,000

After the transfer, the equity interest of the Company was as follow

Shareholders	Registered Capital (RMB)	Proportion
Linyi Gaoxin	8,000,000	75.61%
Linyi Gaochuang	2,580,000	24.39%

- 1 5 2 After the equity interest transfer, the new Board of Directors and the new Board of Supervisors were as follows

Board of Directors
• Gao Yanqing (高彦庆) Chairman
• Liu Qijian(刘期鉴)
• Feng Zhaojie(冯兆杰)
Board of Supervisors
• Zhang Kaixiang (张考祥)
• Yang Liqing (杨立青)

Supporting Documents

- 1) Resolution of Shareholders' Meeting dated November 18, 2003.
- 2) Amendment to the Articles of Association dated August 12, 2004
- 3) Share Transfer Agreement entered into by Linyi Gaoxin and Linyi Consulting dated December 10, 2003 ("**December 10, 2003 Transfer Agreement**").

Conclusion

- 1 The above equity transfers and changes were legal, valid and enforceable in accordance with PRC Laws and were duly approved and recorded by Linyi AIC and all necessary registrations and filings had been duly completed in accordance with PRC Laws
- 2 All of the appointments and dismissals of Legal Representative, Directors, and Supervisors as are apparent from the table above were approved by Linyi AIC and were effected accordingly and all necessary registrations and filings had been duly completed in accordance with PRC Laws.
- 3 Without prejudice to the generality of the conclusion in paragraph (1) above
 - (a) the terms and conditions of the December 10, 2003 Transfer Agreement were in compliance with PRC Laws,

- (b) the December 10, 2003 Transfer Agreement was duly authorised in accordance with the Articles of Association and PRC Laws and was legal, valid and enforceable in accordance with PRC Laws, and
- (c) the December 10, 2003 Transfer Agreement does not contain any unusual or unduly onerous terms, all obligations there under have been performed and we have not sighted nor are we aware of any notice or evidence of any breach in relation thereto.

1.6 Second Transfer of Equity Interest

1 6 1 On October 13, 2004, as approved by the shareholders' meeting, Linyi Gaoxin transferred all its equity interest of the Company to Shandong Chaoyue Electricity Equipment Co , Ltd (山东超越电力设备有限公司)(" Shandong Chaoyue") in consideration of RMB 26,465,000 Linyi Gaochuang transferred all its equity interest of the Company to Linyi Huasheng Trading Co , Ltd (临沂华升贸易有限公司)("Linyi Huasheng") in consideration of RMB 8,535,000

The equity interest structure was as follows after the second equity interest transfer

Shareholders	Registered Capital (RMB)	Proportion
Shandong Chaoyue	8,000,000	75.61%
Linyi Huasheng	2,580,000	24.39%

1 6 2 Because the aforesaid transfers were related to State-owned assets, the Share Transfer Agreements are required to be approved by competent authority and fulfill legal procedures regulated by PRC laws According to Assets Valuation Report issued by Shandong Tianhengxin Accounting Firm Limited(山东天恒信有限责任会计师事务所) (No Lu Tianhengxin Ping Zi (2004) No 1023) , the Confirmation Letter of Auction (拍卖成交确认书) between Shandong Luxin Auction Co , Ltd (山东鲁信拍卖有限公司) and Wang Yanting, Zheng Zhihao, the Auction of equity interests of the Company was conducted in accordance with PRC Laws In addition, requisite approvals were issued by Linyi Municipal People's Government on August 12, 2004 (Lin Zheng Zi [2004] No 69) and Administration Committee of Linyi High-tech Industrial Development Zone on September 16, 2004 (Lin Kai Guan Fa[2004] No 46), thus the Company had obtained requisite approvals and fulfilled statutory procedures for the aforesaid transfers

1 6 3 The new Board of Directors and the new Board of Supervisors were as follows after the second transfer

Board of Directors • Zheng Zhihao (郑志浩) Chairman • Wang Yangting (王彦廷) • Shao Mingming (邵明明)
Board of Supervisors • Zhao Zongyun (赵宗云) • Chen Zhiqiang (陈志强) • Cui Xishun (崔西顺)

- 1 6 4 The registered address of the Company was changed to
*West of Double Moon Lake Road, Linyi High-tech Industrial
Development Zone, Shandong Province*
(山东省临沂市高新技术产业开发区双月湖路西段)

Supporting Documents

- 1) *Approval of the Share Transfer of Linyi Van Science and Technique Co , Ltd*
issued by Linyi Municipal People's Government (临沂市人民政府关于临沂先锋科技有限公司股权转让有关问题的批复) dated August 12, 2004 [Lin Zheng Zi [2004]No 69 临政字[2004]69 号).
- 2) *Approval of the Share Transfer of Linyi Van Science and Technique Co , Ltd*
issued by Administration Committee of Linyi High-tech Industrial Development Zone (临沂高新区管委会关于对《申请同意临沂先锋科技有限公司股权转让合同的报告的》的批复) on September 16, 2004 [Lin Kai Guan Fa[2004]No 46] (临开管发[2004]46 号)
- 3) Resolution of Shareholders' Meeting dated October 18, 2004
- 4) Amendment to Articles of Association dated October 18, 2004
- 5) Share Transfer Agreements dated August 28, 2004 signed between Linyi Gaoxin, Linyi Gaochuang and Shandong Chaoyue, Linyi Huasheng ("**August 28, 2004 Transfer Agreements**")
- 6) Assets Valuation Report issued by Shandong Tianhengxin Accounting Firm Limited(山东天恒信有限责任会计师事务所) (No · Lu Tianhengxin Ping Zi (2004) No 1023) dated August 13, 2004.
- 7) Confirmation Letter of Auction between Shandong Luxin Auction Co , Ltd (山东鲁信拍卖有限公司) and Wang Yanting
- 8) Confirmation Letter of Auction between Shandong Luxin Auction Co , Ltd (山东鲁信拍卖有限公司) and Zheng Zhihao

Conclusion

1. We are of the view that the above equity transfers and changes were legal, valid and enforceable in accordance with PRC Laws and were duly approved

and recorded by Linyi AIC and all necessary registrations and filings had been duly completed in accordance with PRC Laws

- 2 All of the appointments and dismissals of Directors, and Supervisors as are apparent from the table above were approved by Linyi AIC and were effected accordingly and all necessary registrations and filings had been duly completed in accordance with PRC Laws
- 3 Without prejudice to the generality of the conclusion in paragraph (1) above
 - (a) the terms and conditions of the August 28, 2004 Transfer Agreements were in compliance with PRC Laws,
 - (b) the August 28, 2004 Transfer Agreements were duly authorised in accordance with the Articles of Association and PRC Laws and were legal, valid and enforceable in accordance with PRC Laws, and
 - (c) the August 28, 2004 Transfer Agreements do not contain any unusual or unduly onerous terms, all obligations thereunder have been performed and we have not sighted nor are we aware of any notice or evidence of any breach in relation thereto

1.7 Third Transfer of Equity Interest

- 1 7 1 On March 1, 2005, as approved by the shareholders' meeting, Shandong Chaoyue transferred 51% of its equity interest to Zheng Zhihao in consideration of RMB17,850,000, 9.61% to Wang Yanting in consideration of RMB3,363,500, 10% to Shao Mingming in consideration of RMB3,500,000 and 5% to Liu Ju in consideration of RMB1,750,000

On March 1, 2005, Linyi Huasheng transferred 24 39% of its equity interest to Wang Yanting in consideration of RMB8,536,500

The equity interest structure was as follows after the third transfer.

Shareholders	Registered Capital (RMB)	Proportion
Zheng Zhihao	5,395,800	51%
Wang Yanting	3,597,200	34%
Shao Mingming	1,058,000	10%
Liu Ju	529,000	5%

- 1 7 2 Zheng Zhihao was appointed as Chairman of the Board of Directors and Wang Yanting was appointed as Deputy-Chairman by the Resolution of Shareholders' Meeting made on March 1, 2005

The Board of Directors was as follows after the transfer

Board of Directors
Zheng Zhihao (郑志浩) Chairman

Wang Yanting (王彦廷) Shao Mingming (邵明明)

Supporting Documents

- 1) Resolution of Shareholders' Meeting made by Shandong Chaoyue and Linyi Huasheng Trading Co Ltd dated March 1, 2005
 - 2) Resolution of Shareholders' Meeting of the Company made by Zheng Zhihao, Wang Yanting, Shao Mingming, and Liu Ju dated March 1, 2005
 - 3) Amendment to the Articles of Association dated March 1, 2005
 - 4) Share Transfer Agreement executed by Shandong Chaoyue and Zheng Zhihao dated March 1, 2005
 - 5) Share Transfer Agreement executed by Shandong Chaoyue and Shao Mingming dated March 1, 2005
 - 6) Share Transfer Agreement executed by Shandong Chaoyue and Wang Yanting dated March 1, 2005
 - 7) Share Transfer Agreement executed by Shandong Chaoyue and Liu Ju dated March 1, 2005.
 - 8) Share Transfer Agreement executed by Linyi Huasheng Trading Co. Ltd and Zheng Zhihao dated March 1, 2005
- (items 4, 5, 6, 7 and 8 collectively referred to as the "**March 1, 2005 Transfer Agreements**")

Conclusion

- 1 The above equity transfers and changes were legal, valid and enforceable in accordance with PRC Laws and were duly approved and recorded by Linyi AIC and all necessary registrations and filings had been duly completed in accordance with PRC Laws
- 2 All of the appointments and dismissals of Directors as are apparent from the table above were approved by Linyi AIC and were effected accordingly and all necessary registration and filings had been duly completed in accordance with PRC Laws
- 3 Without prejudice to the generality of the conclusion in paragraph (1) above
 - (a) the terms and conditions of the March 1, 2005 Transfer Agreements were in compliance with PRC Laws,
 - (b) the March 1, 2005 Transfer Agreements were duly authorised in accordance with the Articles of Association and PRC Laws and were legal, valid and enforceable in accordance with PRC Laws, and
 - (c) the March 1, 2005 Transfer Agreements do not contain any unusual or unduly onerous terms, all obligations thereunder have been performed and we have not sighted nor are we aware of any notice or evidence of any breach in relation thereto

1.8 Fourth Transfer of Equity Interest

1 8 1 On January 1, 2006, as approved by the shareholders' meeting, Zheng Zhihao transferred 6% of his equity interest of the Company to Le Kairong, Wang Yanting transferred 3% of his equity interest of the Company to Le Kairong and 1% to Mao Qifeng, Shao Mingming transferred 1% of his equity interest of the Company to Mao Qifeng

The equity interest structure of the Company was as follow after the fourth transfer

Shareholders	Registered Capital (RMB)	Contribution Form	Proportion
Zheng Zhihao	4,761,000	Cash	45%
Wang Yanting	3,174,000	Cash	30%
Shao Mingming	952,200	Cash	9%
Le Kairong	952,200	Cash	9%
Liu Ju	529,000	Cash	5%
Mao Qifeng	211,600	Cash	2%

1 8 2 The Company's Articles of Association were amended on January 5, 2006 to reflect the above changes

1 8 3 The Company filed all required registrations with Linyi AIC accordingly

Supporting Documents

- 1) Resolution of the Shareholders' Meeting dated January 5, 2006
 - 2) Amendment to Articles of Association dated January 5, 2006
 - 3) Share Transfer Agreement entered into by Zheng Zhihao and Le Kairong dated January 5, 2006
 - 4) Share Transfer Agreement entered into by Wang Yanting and Le Kairong dated January 5, 2006
 - 5) Share Transfer Agreement entered into by Wang Yanting and Mao Qifeng dated January 5, 2006
 - 6) Share Transfer Agreement entered into by Shao Mingming and Mao Qifeng dated January 5, 2006
- (items 3, 4, 5 and 6 collectively referred to as the "**January 1, 2006 Transfer Agreements**")

Conclusion

- 1 The above equity transfers and changes were legal, valid and enforceable in accordance with PRC Laws and were duly approved and recorded by Linyi AIC and all necessary registrations and filings had been duly completed in accordance with PRC Laws
- 2 Without prejudice to the generality of the above conclusion
 - (a) the terms and conditions of the January 1, 2006 Transfer Agreements

were in compliance with PRC Laws,

- (b) the January 1, 2006 Transfer Agreements were duly authorised in accordance with the Articles of Association and PRC Laws and were legal, valid and enforceable in accordance with PRC Laws, and
- (c) the January 1, 2006 Transfer Agreements do not contain any unusual or unduly onerous terms, all obligations thereunder have been performed and we have not sighted nor are we aware of any notice or evidence of any breach in relation thereto

1.9 Change of Legal Representative, the Board of Directors and Board of Supervisors

- 1 9 1 On January 6, 2007, as approved by the shareholders' meeting, new Board of Directors and new Board of Supervisors were elected
 - 1 9 2 Zheng Zhihao was removed as Chairman of the Board of Directors, as well as Legal Representative of the Company, Wang Yanting replaced his position
 - 1 9 3 Amendment to the Articles of Association was adopted accordingly on January 6, 2007
- The new Board of Directors and the new Board of Supervisors were as follows

Board of Directors
• Wang Yanting (王彦廷) Chairman
• Zheng Zhihao (郑志浩) Deputy-Chairman
• Shao Mingming (邵明明)
• Liu Ju (刘炬)
• Le Kairong(乐开荣)
• Mao Qifeng(毛其锋)
• Zhang Zengyuan(张增元)
Board of Supervisors
• Chen Zhiqiang(陈志强)
• Cui Xishun(崔西顺)
• Xue Pingzheng(薛平正)
General Manager
• Shao Mingming(邵明明)

Supporting Documents

- 1) Resolution of the Shareholders' Meeting dated January 6, 2007
- 2) The Amendment to the Articles of Association dated January 6, 2007.
- 3) Resolution of Election of Chairman of the Board of Directors dated January 6, 2007

- 4) Resolution of electing Deputy Chairman of the Board of Directors dated January 6, 2007
- 5) Resolution of Engaging General Manager dated January 6, 2006.

Conclusion

The above changes were legal, valid and enforceable in accordance with the Articles of Association and PRC Laws and were duly approved and recorded by Linyi AIC and all necessary registrations and filings had been duly completed in accordance with PRC Laws

1.10 Fifth Transfer of Equity Interest

- 1 10 1 On January 7, 2008, as approved by the shareholders' meeting of the Company, Zheng Zhihao transferred all his 45% equity interest of the Company to Wang Yanting, Shao Mingming transferred all his 9% equity interest of the Company to Wang Yanting, Le Kairong transferred all his 9% equity interest of the Company to Wang Yanting, Liu Ju transferred all his 5% equity interest of the Company to Wang Yanting, Mao Qifeng transferred all his 2% equity interest to Wang Yanting
- 1 10.2 After the fifth transfer, Wang Yanting became the sole shareholder of the Company The Company became a one-person limited liability company
- 1.10 3 New Articles of Association were adopted on January 11, 2008
- 1 10 4 Chen Zhiqiang was appointed as Executive Supervisor
- 1 10.5 Shao Mingming was appointed as General Manger

The management of the Company was as follow

Executive Director
• Wang Yanting (王彦廷)
Executive Supervisor
• Chen Zhiqiang (陈志强)
General Manager
• Shao Mingming

Supporting Documents

- 1) Resolution made by the Shareholders' Meeting dated January 7, 2008
- 2) Articles of Association dated January 11, 2008
- 3) Resolution made by Wang Yanting dated January 8, 2008
- 4) Share Transfer Agreement executed by Zheng Zhihao and Wang Yanting dated January 7, 2008
- 5) Share Transfer Agreement executed by Shao Mingming and Wang Yanting dated January 7, 2008

- 6) Share Transfer Agreement executed by Le Kairong and Wang Yanting dated January 7, 2008
 - 7) Share Transfer Agreement executed by Liu Ju and Wang Yanting dated January 7, 2008
 - 8) Share Transfer Agreement executed by Mao Qifeng and Wang Yanting dated January 7, 2008.
- (Items 4, 5, 6, 7 and 8 collectively referred to as the “**January 7, 2008 Transfer Agreements**”)

Conclusion

- 1 The above equity transfers and changes were legal, valid and enforceable in accordance with PRC Laws and were duly approved and recorded by Linyi AIC and all necessary registrations and filings had been duly completed in accordance with PRC Laws
2. New Articles of Association dated January 11, 2008 were in compliance with PRC Laws
- 3 All of the appointments and dismissals of Directors, and Supervisors as are apparent from the table above were approved by Linyi AIC and were effected accordingly and all necessary registration and filings had been duly completed in accordance with PRC Laws
- 4 Without prejudice to the generality of the conclusion in paragraph (1) above
 - (a) the terms and conditions of the January 7, 2008 Transfer Agreements were in compliance with PRC Laws,
 - (b) the January 7, 2008 Transfer Agreements were duly authorised in accordance with the Articles of Association and PRC Laws and were legal, valid and enforceable in accordance with PRC Laws, and
 - (c) the January 7, 2008 Transfer Agreements do not contain any unusual or unduly onerous terms, all obligations thereunder have been performed and we have not sighted nor are we aware of any notice or evidence of any breach in relation thereto

1.11 Sixth Transfer of Equity Interest and Change of Nature of the Company

On May 26, 2008, the sole shareholder of the Company, Wang Yanting, transferred all his equity interest to HFI in consideration of RMB 47,194,712.06, which was based on the Net Asset Value of the Company as at February 15, 2008 (“NAV”). The Company became a WFOE since then.

- 1.11.1 According to the Assets Valuation Report on Enterprise’s Acquisition of Linyi Van Science and Technique Co., Ltd. (Ji Yongcheng Ping Zi [2008] No 007-1)(济永晟评字[2008]第007-1号) issued by Jinan Yongcheng Assets Assessment Limited Liability Company (济南永晟资产评估有限

- 公司), a qualified Chinese assessment institution, that the estimated value of the Company was approximately RMB 47,194,712.06 based on NAV
- 1.11.2 According to the Approval to Change Linyi Van Science and Technique Co., Ltd into a Foreign Owned Enterprise issued by the Department of Foreign Trade & Economic Cooperation of Shandong Province (“**Shandong FTC**”) dated May 20, 2008, the consideration of the acquisition of the Company shall be paid within three months after the Company registered as a foreign owned enterprise. Based on the Verification Form of Foreign Exchange of Acquisition of Domestic Enterprises by Foreign Investors(外方收购中方股权转让收汇外资外汇登记情况表) issued by Linyi Branch, State Administration of Foreign Exchange (国家外汇管理局临沂市支局) (“**Linyi SAFE**”) on June 19, 2008, the total consideration RMB 48,732,193.81 shall be paid in two instalments, RMB 10,580,000.00 has been duly paid and the balance is due and payable by HFI by August 20, 2008
- 1.11.3 On May 26, 2008, Shandong FTC issued the Certificate of Approval for the Establishment of a Foreign Invested Enterprise in the PRC (“Certificate of Approval”) (Approval No. Shang Waizi Lufu Zi [2008]0872) (商外资鲁府字[2008]0872号). The Company received the Certificate of Approval from Shandong FTC and renewed business licence from Shandong AIC on May 26, 2008 and had been duly transformed into a WFOE since then
- 1.11.4 On May 8, 2008, the new Articles of Association were adopted
- 1.11.5 On May 8, 2008, the new Board of Directors was formed, HFI appointed Tham Wai Mun Raphael as Chairman of the Board of Directors, Ang Wee Boon as Deputy Chairman, and Wang Yanting as Director of the Company
- 1.11.6 On May 17, 2008, Wang Yanting was appointed as General Manager by the Board of Directors
- 1.11.7 On May 17, 2008, Chen Zhiqiang was elected as Supervisor by Staff Representatives
- (Please refer to 2 of Part II for details about current directors, supervisors, and general manager)

Supporting Documents

- 1) Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People’s Republic of China dated May 26, 2008 (Approval No. Shang Waizi Lu Fu Zi[2008]0872(商外资鲁府字[2008]0872 号))
- 2) Approval to change Linyi Van Science and Technique Co., Ltd into a Foreign Owned Enterprise (No. Lu Wai Jing Mao Waizi Zi[2008]No 398)
- 3) Resolution of Shareholders’ Meeting dated May 8, 2008
- 4) Articles of Association signed by the shareholder of the Company dated May 18, 2008
- 5) Share Transfer Agreement signed by Wang Yanting and HFI dated April 21, 2008 (“**April 21, 2008 Transfer Agreement**”)

- 6) Designation Letter of Directors dated May 8, 2008
- 7) Engagement Letter of General Manager dated May 17, 2008
- 8) Resolution of Electing Supervisors of the Company dated May 17, 2008
- 9) Business Licence issued by Shandong AIC dated May 26, 2008
- 10) Exchange Memo issued by China construction Bank dated June 18, 2008
- 11) Verification Form of Foreign Exchange of Acquisition of Domestic Enterprises by Foreign Investor issued by Linyi SAFE on June 19, 2008

Conclusion

- 1 The acquisition of the Company by HFI is regarded as an acquisition of domestic enterprise by foreign investors and it shall be governed by the "Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors" (关于外国投资者并购境内企业的规定) ("**New M&A Regulations**") The consideration for the acquisition is based on the NAV of the Company, which had been assessed by a qualified assessment institution in PRC and is accordingly in compliance with PRC Laws (including but not limited to the New M&A Regulations)
- 2 Subject to the approval issued by Shandong FTC and New M&A Regulations, the total consideration for the acquisition shall be fully paid within 3 three months after the Company registered as a foreign owned enterprise, the consideration for the acquisition shall be fully paid in 3 three months after the acquisition was approved by Shandong FTC On 3 September 2008, we have spoken with the Director Xu of Linyi Foreign Trade and Economic Cooperation Bureau, which, according to the Company, is responsible for transferring the application of extension for payment of the balance of the consideration for the acquisition to Shandong FTC and we have been informed that the application for the extension of time has been approved by Shandong FTC and the written approval will be issued to the Company soon Assuming that the written approval for the extension is furnished to the Company and HFI pays the balance of the consideration for the acquisition within the extended time period and in view of the fact that the Company has duly applied and obtained all required approvals, license, permits, and/or certificate pursuant to the PRC Laws, we are of opinion that the above-mentioned transactions are legal, valid and enforceable
3. According to (a) a certificate of incumbency dated 29 July 2008 issued by the registered agent of HFI, ATC Trustees (BVI) Limited ("**ATC Trustees**"), confirming that the current sole shareholder of HFI is Prime Mega International Limited ("**Prime Mega**"), (b) a certificate of incumbency dated 29 July 2008 issued by the registered agent of Prime Mega, ATC Trustees, confirming that the current sole shareholder of Prime Mega is Ang Wee Boon, (c) a written confirmation from Stephenson Harwood & Lo confirming that Ang Wee Boon is the holder of Singapore Passport No E0184611D, (d) a written confirmation from Stephenson Harwood & Lo confirming that Raphael Tham Wai Mun is the holder of Singapore Passport No.SZ015814J, (e) a written declaration from Ang Wee Boon that, aside from his shareholding in Prime Mega, his indirect interest in the equity of the Company pursuant to the April 21, 2008 Transfer Agreement and his appointment as Deputy Chairman of the Company, he did not have any separate arrangements or agreements with the Company when HFI acquired the Company, and (f) a written declaration from Raphael Tham Wai Mun that, aside from his shareholding in HFI at the time when HFI acquired the Company, his indirect

interest in the equity of the Company pursuant to the April 21, 2008 Transfer Agreement prior to the transfer of his interest in HFI to Ang Wee Boon, he did not have any separate arrangements or agreements with the Company when HFI acquired the Company, and (g) a written confirmation from Stephenson Harwood & Lo given on the back of written confirmations from Raphael Tham Wai Mun, Ang Wee Boon and Wang Yanting confirming that i) other than the incentive scheme and the Ninety's employee share option scheme, there are no other schemes or other arrangements relating to the Ninety's share equity for the purposes of remunerating any of Wang Yan Ting, Shao Ming Ming and the PRC residents named in the incentive scheme ("**Eligible PRC Persons**") except that described in the employee share option scheme and the incentive scheme, ii) there is no agreement or arrangement (whether formal or informal) between the Wang Yanting ("**Founder**"), the Eligible PRC Persons and Raphael Tham Wai Mun, that requires each of them to take a concerted position or action in relation to the Shares that may be transferred to all or any of them and none of them are holding any such Shares as trustee or nominees for and on behalf of any one of these other persons, iii) the terms of the performance incentive options reflects the commercial intentions of the parties, and iv) the use of options as an incentive for management and staff of companies listed on AIM is not uncommon.

- 4 Based on the certificate of incumbency and share transfer forms Prime Mega to HFI and Prime Mega, we note that (a) the current ultimate shareholder or ultimate beneficial owner of HFI was Ang Wee Boon (b) at the time when HFI acquired the Company, the shareholder or ultimate shareholder or ultimate beneficial owner of HFI was Raphael Tham Wai Mun, who, based on the declaration described in paragraph 3(a) and (b) above, has no affiliated relationship with the Founder or management of the Company. The said acquisition is not inter-conditional with the RTO nor is there any reference to the granting of any shares / options in Ninety to Founder named in the incentive scheme and Eligible PRC Persons as part of the consideration of acquisition.
5. The Company has duly applied and obtained all required approvals, licences, permits, and/or certificates pursuant to the PRC Laws in connection with the equity transfer pursuant to the April 21, 2008 Transfer Agreement and the change of the nature of the Company to a WFOE.
- 6 In view of the above, we are of the opinion that
 - (a) The above-mentioned transactions are legal, valid, enforceable and in compliance with PRC Laws.
 - (b) Without prejudice to the generality of 5(a) above
 - (i) the terms and conditions of the April 21, 2008 Transfer Agreement were in compliance with PRC Laws (including but not limited to the New M&A Regulations),
 - (ii) the April 21, 2008 Transfer Agreement was duly authorised in accordance with the Articles of Association and PRC Laws and was legal, valid and enforceable in accordance with PRC Laws,
 - (iii) the April 21, 2008 Transfer Agreement does not contain any unusual or unduly onerous terms, other than the obligation to pay the consideration in full, all obligations there under have been performed, and we have not sighted nor are we aware of any notice or evidence of any breach in relation thereto;

- (c) According to the regulations stipulated by Circular on Several Issues Concerning Foreign Exchange Regulation of Corporate Finance and Roundtrip Investments by PRC Residents through Special Purpose Companies Incorporated Overseas(国家外汇管理局关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知) effected on November 1, 2005("SAFE Circular 75"), to obtain a SAFE Circular 75 Registration and the Company is not required to register with Linyi SAFE pursuant to SAFE Circular 75, because the ultimate natural shareholder of HFI at the time of the acquisition, Mr Raphael Tham Wai Mun, is a non-PRC citizen when the abovementioned acquisition was conducted and he did not have any other separate arrangements or agreements with the Company when HFI acquired the Company. In the event that the founders of the Company or the PRC residents who are entitled under the scheme are granted Ninety's share equity as stated in the incentive scheme and the Ninety's employee share option scheme, the Eligible PRC Persons shall, according to the SAFE Circular 75 and related individual exchange regulations , file for the required registration, where relevant
- (d) As of the date of issuing this report, there is no requirement for the acquisition contemplated under the April 21, 2008 Transfer Agreement to be approved by the Ministry of Commerce of the PRC ("MOC") pursuant to the New M&A Regulations nor is the RTO and Re-Admission subject to the approval of the CSRC for the following reasons
- 1) According to New M&A Regulations and related PRC Laws, an acquisition of PRC domestic companies should be submitted to MOC for approval when the special purpose vehicle ("SPV") undertaking the acquisition was established or controlled by domestic enterprise or natural person acquires their affiliated company. According to the written declarations and confirmation letter described in 3(e), (f) and (g) above, there is no affiliated relationship between HFI and the Company when the acquisition was conducted. Thus there is no requirement for the company to apply to MOC for approval.
 - 2) Based on our understanding of the current PRC laws, rules and regulations and the New M&A rules, the CSRC approval requirement applies to overseas SPV's acquisition of PRC domestic companies through share exchanges , unless there are new PRC laws and regulations or clear requirements from the CSRC in any form that require the prior approval of the CSRC for the listing and trading of any overseas SPV's securities on an overseas stock exchange, the New M&A rules does not require that the Company obtain prior CSRC approval for the RTO and Re-Admission.
- (e) Aside from the opinion in 2 of this section, all the registration and approval requirements for the transactions contemplated under the April 21, 2008 Transfer Agreement and the conversion of the Company to WFOE have been duly completed in accordance with PRC Laws.
- (f) All the current directors, the supervisors and the general manager of the Company have been duly, legally and validly appointed in accordance with

the current Articles of Association and PRC Laws

- (g) The current Articles of Association adopted on May 8, 2008 have been duly, legally and validly adopted in accordance with and are in compliance with PRC Laws.
- (h) All of the appointments and dismissals of Legal Representative, Directors, and Supervisors as are apparent from paragraph 1.11 above were approved by Shandong FTE and Shandong AIC and were effected accordingly and all necessary registration and filings had been duly completed in accordance with PRC Laws and the resignation of the previous Legal Representative, Directors and Supervisors are due, valid, legal and enforceable.

II. CURRENT STATUS OF THE COMPANY

1 Current Shareholder Structure of the Company

Shareholder	Registered Number	Proportion
HFI	1414693	100%

2 Current Directors, Supervisors, and General Manager

2.1 Directors

Name	Nationality	Title	Appointed by	Appointment Date
Tham Wai Mun Raphael (谭维文)	Singapore	Chairman of Board of Directors	HFI	May 8, 2008
Ang Wee Boon [Raymond] (翁伟文)	Singapore	Deputy Chairman of Board of Directors	HFI	May 8, 2008
Wang Yanting (王彦廷)	PRC	Director	HFI	May 8, 2008

2.2 Supervisor

Name	Nationality	Title	Appointment	Appointment Date
------	-------------	-------	-------------	------------------

Chen Zhiqiang (陈志强)	PRC	Executive Supervisor	Upon Election	May 17, 2008
--------------------------	-----	-------------------------	------------------	--------------

2.3 General Manager

Name	Nationality	Title	Appointment	Appointment Date
Wang Yanting (王彦廷)	PRC	General Manger	Upon Employment	May 17, 2008

2. Key Provisions of Current Articles of Association

Article 2	Name of the Company
	Linyi Van Science and Technique Co , Ltd
Article 3	Current Shareholder
	HFI, a company incorporated in the British Virgin Islands Its legal representative is Tham Wai Mun Raphael (谭维文), a Singaporean
Article 8	Production Capacity
	The production capacity of the Company is 7,500 tons of Food Additive-Sorbic Acid and Potassium Sorbate, annually
Article 9	Total Investment and Registered Capital
	Total investment of the Company is RMB15,000,000 and total registered capital is RMB10,580,000
Article 12	Duties and Powers of Shareholders' Committee

	<ol style="list-style-type: none"> 1) decide on business direction and investment plans of the Company, 2) appoint and remove directors and supervisors who are not representatives of the employees and decide on the remuneration of directors and supervisors, 3) review and approve reports from the board of directors, 4) review and approve reports from the supervisors, 5) review and approve the annual financial budget and financial accounting plan of the Company, 6) review and approve the profit distribution plan and loss recovery plan of the Company, 7) resolve on increase or decrease of registered capital of the Company, 8) resolve on issuance of corporate bonds, 9) resolve on merger, division, dissolution, liquidation or change of company structure; 10) amend the Articles of Association of the Company, and 11) other duties and powers stipulated in the Articles of Association of the Company
Article 16	Resolutions passed by shareholders' meeting to amend the Company's Articles of Association, increase or decrease registered capital, and merger, division, dissolution, or change of company structure shall be passed by 2/3 shareholders who have the voting rights
Article 17	<p>The board of directors shall comprise three members, all of whom must be appointed by the shareholder(s). Each term of office shall be 3 years. The directors may, after their term of office expires, hold a consecutive term upon re-appointment</p> <p>The shareholders' meeting shall appoint one Chairman and may appoint a deputy Chairman. The appointment of Chairman and a deputy chairman shall be appointed by the shareholders</p>

Article 19	<p>The supervisor shall exercise the following duties and powers</p> <ol style="list-style-type: none"> 1) inspect the company finances, 2) supervise the performance of duties by directors and senior management personnel and propose to remove a director or senior management personnel who violates the provision of the laws and administrative regulations and the articles of association of the company or the resolutions of the shareholders' meeting, 3) require a director or senior management personnel who act against the interests of the company to make correction; 4) propose to convene interim shareholders' meeting, convene and chair a shareholders' meeting when the board of directors fails to convene and chair a shareholders' meeting in accordance with the provisions of this Law, 5) make proposals at shareholders' meetings, 6) file a lawsuit against a director or senior management personnel in accordance with the provisions of Article 152 of PRC Company Law, and 7) other duties and powers stipulated in the articles of association of the company
Article 22	<p>General Managers shall be appointed or dismissed by the board of directors. Each term of office shall be 3 years. The general managers shall be accountable to the board of directors and shall exercise the following duties and powers</p>

	<ol style="list-style-type: none"> 1) manage the production and business operations of the Company and organize and implement resolutions passed by the board of directors, 2) organize and implement the annual business plan and investment scheme of the Company, 3) draft the plan for setting up the internal management organization of the Company, 4) draft the basic management system of the Company, 5) formulate the Company's rules and policies, 6) recommend appointment or dismissal of deputy manager and financial controller of the Company, 7) decide on appointment or dismissal of management staff other than positions which are to be decided by the board of directors, and 8) other duties and powers granted by the board of directors <p>Managers shall attend board of directors' meetings</p>
Article 25	<p>Legal Representative of the Company</p> <p>The chairman of the board of directors shall act as the legal representative of the Company Each term of office shall be 3 years The legal representative may, after their term of office expires, hold a consecutive term</p>
Article 28	<p>The employees of companies shall organize labor unions in accordance with the provisions of the <i>Trade Union Law of the People's Republic of China</i>, develop trade union activities and the company shall allot 2% of the total salaries of employees to the labor union</p>
Article 29	<p>Term of Operation</p> <p>The operation term of the Company is 20 years since the issuance of the business licence</p>
Article 39	<p>The Articles of Association were adopted by the shareholder (or its authorized representative) on May 8, 2008 in Linyi, China</p>

III.LEGAL TITLE TO ASSETS

According to the information provided by the Company, the total value of the assets of the Company is RMB 69, 366,100, i e, the original value of buildings and factory premises is RMB 18,731,700, the original value of production facilities, office facilities

and automobiles etc is RMB50,634,400

The Company's only existing factory and production facility are located at West of Double Moon Lake Road, Linyi High -tech Industrial Development Zone, Shandong Province which occupies a land area of 33,044.66 m² and has a built-in area of 10886.36m². The land use rights and building use rights listed in the second and third table below represent all the land use rights and building use rights for the existing factory and production facility and as a result of our investigations for the purpose of this Due Diligence Report we have no reason to believe or suspect otherwise

1 Schedule of fixed assets with original value over RMB200,000 (原值超过 20 万元的固定资产明细表)

Fixed Asset Name	Number	Original Value (RMB)	Expected Use Life	Encumbrance
Workshop I(一车间)	1	3,326,705.54	20 years	Nil
Workshop II(二车间)	1	5,109,740.30	20 years	Nil
Power room(动力车间)	1	1,496,952.53	20 years	Nil
Packaging workshop(包装车间)	1	1,485,260.42	20 years	Nil
West warehouse(西仓库)	1	1,350,050.00	20 years	Nil
East warehouse(东仓库)	1	1,456,637.07	30 years	Nil
Boiler room(锅炉房)	1	1,638,508.70	20 years	Nil
The cement ground of the company(地面)	1	1,799,296.31	20 years	Nil
Horizontal scraper unloading centrifuges (卧式刮刀卸料离心机)	5	1,097,174.00	12 years	Please see 2.1.1 of Section VIII for reference
Refrigeration units(冷冻机组)	4	1,094,950.00	12 years	Please see 2.1.1 of Section VIII for reference
Decolorization crystal Axe (脱色结晶釜)	4	1,918,692.00	12 years	Please see 2.1.3 of Section VIII for reference
Sorbic acid technology pipeline(山梨酸工艺管道)	1	7,999,174.00	12 years	Please see 2.1.1 of Section VIII for reference
DCS control system(DCS 控制系统)	1	1,090,628.00	12 years	Please see 2.1.1 of

				Section VIII for reference
Potassium sorbate pipeline(山梨酸钾工艺 管道)	1	4,657,866 36	12 years	Please see 2 1 3 of Section VIII for reference
Office building(办公楼)	1	1,230,700 97	20 years	Please refer to 3 of this section for reference
Maintenance workshop(维修车间)	1	480,220 95	20 years	Nil
Pump room(水泵房)	1	833,892 67	20 years	Nil
Sewage treatment and recycling of water system(污水处理及循环 水系统)	1	798,446 22	20 years	Nil
Potassium sorbate plant(山梨酸钾厂房)	1	513,161 58	20 years	Nil
Strap centrifuges(吊带离 心机)	4	308,000 00	12 years	Please see 2 1 3 of Section VIII for reference
Tar tank recovery(回收焦 油槽)	5	297,675 00	12 years	Please see 2 1 3 of Section VIII for reference
Potassium sorbate packaging line(山梨酸钾 包装线)	1	225,000.00	12 years	Please see 2.1.3 of Section VIII for reference
Dryer(干燥机)	2	680,000 00	12 years	Please see 2 1 3 of Section VIII for reference
Vibration sulfide bed (振 动硫化床)	2	200,000 00	12 years	Please see 2 1 3 of Section VIII for reference
Oil and gas separator(油 气分离器)	2	224,240 00	12 years	Please see 2 1 3 of Section VIII for reference
Acetic acid raw materials trough (冰醋酸原料槽)	1	311,560 00	12 years	Please see 2 1 3 of Section VIII for reference

Absorption tower (吸收塔)	3	498,108 00	12 years	Please see 2 1 3 of Section VIII for reference
Lining glass reaction kettle(搪玻璃反应釜)	4	237,462.00	12 years	Please see 2 1 1 of Section VIII for reference
Boiler(锅炉)	1	609,998 00	12 years	Please see 2.1 1 of Section VIII for reference
UNS level meter of stained glass(UNS 彩色玻璃液位计)	1	269,247 00	12 years	Please see 2 1 1 of Section VIII for reference
Control valve(调节阀)	1	604,149 00	12 years	Please see 2 1 1 of Section VIII for reference
Two-vertebral Rotary Vacuum Dryer(双椎回转真空干燥机)	4	430,966.00	12 years	Please see 2 1 3 of Section VIII for reference
Lei leveraged air compressor(螺杆式空压机)	2	303,924 00	12 years	Please see 2 1 3 of Section VIII for reference
Transformer(变压器)	2	364,267 00	12 years	Please see 2 1 3 of Section VIII for reference
Magnetic regulator(磁性调压器)	6	726,041.00	12 years	Please see 2 1 3 of Section VIII for reference
Sorbic acid packaging line(山梨酸包装线)	1	741,440 00	12 years	Please see 2 1 1 of Section VIII for reference
Senior plate confined filter(高级板式密闭过滤器)	5	599,470 00	12 years	Please see 2.1 1 of Section VIII for reference
Central pump oil(油环泵)	3	319,254.00	12 years	Please see 2 1 1 of Section VIII for reference
Hoisting bag centrifuges	2	816,789 00	12 years	Please see

(吊袋离心机)				2 1 3 of Section VIII for reference
Tower(塔器)	2	275,324.00	12 years	Please see 2.1.3 of Section VIII for reference
Cracking furnace(裂解 炉)	2	658,961 00	12 years	Please see 2.1 3 of Section VIII for reference
Reaction kettle(反应釜)	3	573,682.00	12 years	Please see 2 1 3 of Section VIII for reference
Reaction kettle(反应釜)	2	457,945.00	12 years	Please see 2 1 3 of Section VIII for reference
Heat exchanger(换热器)	20	945,832 00	12 years	Please see 2 1 1 of Section VIII for reference
Decolorization kettle(脱 色釜)	4	976,160 00	12 years	Please see 2.1 3 of Section VIII for reference
Recrystallization kettle(重结晶釜)	4	789,466 00	12 years	Please see 2 1.3 of Section VIII for reference
Crystal recycling kettle(回收结晶釜)	2	274,990 00	12 years	Please see 2.1 3 of Section VIII for reference
20 cubic tank(20 立方储 槽)	2	386,914 00	12 years	Please see 2.1 3 of Section VIII for reference
Aldehyde tank crotonaldehyde (巴豆醛 储槽)	1	261,507 00	12 years	Please see 2 1 3 of Section VIII for reference
Toluene tank(甲苯储槽)	1	261,507 00	12 years	Please see 2 1 3 of Section VIII for reference
Ethanol tank(乙醇储槽)	1	264,478 00	12 years	Please see 2 1 3 of Section VIII

				for reference
Industrial cooling towers of countercurrent(工业型逆流冷却塔)	2	420,194 00	12 years	Please see 2 1 1 of Section VIII for reference
Converter(变频器)	1	469,266 00	12 years	Please see 2 1 1 of Section VIII for reference
Instrument (仪表)	1	934,590 00	12 years	Please see 2 1 1 of Section VIII for reference
Low-voltage electrical appliances counters at the scene (现场低压电器柜)	1	300,530 00	12 years	Please see 2.1 1 of Section VIII for reference
Ex-intelligence electromagnetic flowmeter(防爆型智能电磁流量计)	1	230,079 00	12 years	Please see 2 1 1 of Section VIII for reference
Metal rotor Flowmeter(金属转子流量计)	0	244,279 00	12 years	Please see 2 1 1 of Section VIII for reference
Sewage treatment facilities(污水处理设备)	1	275,171 00	12 years	Please see 2 1 1 of Section VIII for reference
Low-voltage electrical cabinet (低压配电柜)	18	424,713 00	12 years	Please see 2 1 1 of Section VIII for reference
High-voltage switch cabinet(高压开关柜)	6	267,626 00	12 years	Please see 2 1 1 of Section VIII for reference
Sewage treatment facilities (污水处理设备)	1	399,267 00	12 years	Please see 2 1 1 of Section VIII for reference
Low-voltage cables(低压电缆)	1	203,366 00	12 years	Please see 2 1 1 of Section VIII for reference
Sewage treatment facilities (污水处理设备)	1	375,000 00	12 years	Nil

Restaurant (餐厅)	1	216,000 00	20 years	Nil
Freezer (冷冻机)	1	283,850 00	5 years	Nil
Passat sedan (帕萨特轿车)	1	271,900 00	5 years	Nil

As confirmed in writing by the Company, save as the mortgages in the 2.1.1 and 2.1.3 of Section VIII and details in 1 of Section III(over RMB 200,000), there are no equipments under any hire-purchase or leasing arrangements and encumbrances and as a result of our investigations for the purpose of this Due Diligence Report based on the documents we have sighted to date

2 The Company was granted the following land-use rights

2.1

Certificate Number	Lin Kai Guo Yong (2003) Zi No.007 临开国用(2003)字第007号
Rightful User	Linyi Van Science and Technique Co., Ltd
Location	South Side, West of Double Moon Lake Road, Linyi High-tech Industrial Development Zone
Lot Number	401/3/029
Type of Use	Industry
Method of Acquiring	Assignment
Valid Period	February 17, 2003 to February 16, 2053
Lot Size	33,044.66 m ²

2.2

Certificate Number	Lin Kai Guo Yong (2007) Zi No 016 临开国用(2007)字第016号
Rightful User	Linyi Van Science and Technique Co., Ltd
Location	East Side of East Binhe Road, Economic Zone
Lot Number	503/3/019
Type of Use	Industry
Method of Obtaining	Assignment
Valid Period	December 20, 2007 to December 20, 2057
Lot Size	45,743.5 m ²

2.3

On 12 July 2007, the Company entered into a land assignment agreement with the Administrative Committee of the High-tech Industrial Zone of Linyi Municipal People's Government pursuant to which the Company acquired the land use rights for a piece of land of approximately 14,000 sq m at South Side, West of Double Moon Lake Road, Linyi High-tech Industrial Development Zone, Linyi, PRC for a consideration of RMB5,301,600. The consideration for this acquisition has been fully paid and the land use rights certificate in relation to this plot of land is currently being processed.

3 The Company owns the following buildings

Address	
Certificate Number	Lin Fang Quan Zheng Luozhuang District Zi No 32050001 (临房权证罗庄区字第 32050001 号) issued by Real Estate Management Bureau of Linyi (临沂房产管理局) on December 2, 2004
Location	South Side of West Double Moon Road, High-tech Industrial Development Zone
Manner of acquirement	Self-built
Floors	1
Utility	Office building and industrial factory building
Building area	2414.64 m ²
Encumbrance	This building has been mortgaged on June 30, 2008 to Shizhong Branch, Industry and Commerce Bank of China in connection with the loan (please refer to VIII 1 1-1 5 for details) under which this mortgage has been granted and registered with Real Estate Trading Centre of Linyi City (please refer o VIII 2 1 2 for details)
Certificate Number	Lin Fang Quan Zheng Luozhuang District Zi No 32050002 (临房权证罗庄区字第 32050002 号) issued by Real Estate Management Bureau of Linyi (临沂房产管理局) on December 2, 2004.
Location	South Side of West Double Moon Road, High-tech Industrial Development Zone
Manner of acquirement	Self-built
Floors	1
Utility	industrial factory building
Building area	41.1 m ²

Encumbrance	This building has been mortgaged on June 30, 2008 to Shizhong Branch, Industry and Commerce Bank of China in connection with the loan (please refer to VIII 1 1-1 5 for details) under which this mortgage has been granted and registered with Real Estate Trading Centre of Linyi City (please refer to VIII 2 1.2 for details)
Certificate Number	Lin Fang Quan Zheng Luozhuang District Zi No 32050003 (临房权证罗庄区字第 32050003 号) issued by Real Estate Management Bureau of Linyi (临沂房产管理局) on December 2, 2004
Location	West Double Moon Road, High-tech Industrial Development Zone
Manner of acquirement	Self-built
Floors	4
Utility	industrial factory building
Building area	3688.04 m ²
Encumbrance	This building has been mortgaged on June 30, 2008 to Shizhong Branch, Industry and Commerce Bank of China in connection with the loan (please refer to VIII 1 1-1 5 for details) under which this mortgage has been granted and registered with Real Estate Trading Centre of Linyi City (please refer to VIII 2 1 2 for details)
Certificate Number	Lin Fang Quan Zheng Luozhuang District Zi No 32050004 (临房权证罗庄区字第 32050004 号) issued by Real Estate Management Bureau of Linyi (临沂房产管理局) on December 2, 2004
Location	South Side of West Double Moon Road, High-tech Industrial Development Zone
Manner of acquirement	Self-built
Floors	4
Utility	industrial factory building
Building area	4732.58 m ²
Encumbrance	This building has been mortgaged on June 30, 2008 to Shizhong Branch, Industry and Commerce Bank of China in connection with the loan (please refer to VIII 1 1-1 5 for details) under which this mortgage has been granted and registered with Real Estate Trading Centre of Linyi City (please refer to VIII 2 1 2 for details)

IV. MATERIAL ACQUISITIONS AND DISPOSALS

The Company has confirmed in writing that, save as disclosed in Section 1.11 of Part I and Section 3 of Part VIII of this Due Diligence Report, there is no material acquisition or disposal of assets, property, intellectual property rights etc by the Company as of the date of this Due Diligence Report[and as a result of our investigations for the purpose of this Due Diligence Report we have no reason to believe or suspect otherwise based on the documents we have sighted to date

V. BUSINESS AND MATERIAL CONTRACTS

1 Business contracts

Based on our investigations and enquiries, the Company is in the business of manufacturing and selling of Sorbic Acid and Potassium Sorbates for use as preservatives in food and other products from the factory premises at South Side, West of Double Moon Lake Road, Linyi High-tech Industrial Development Zone (please refer to 2.1 of Section III for details) The Company does not produce other products described in the business scope to date

1.1 Raw material and suppliers

The key raw materials used by the Company in its business are crotonaldehyde and glacial acetic acid and its major suppliers are Jiangsu Kaida Chemical Co ,Ltd (江苏凯达化工有限公司) (“Kaida Chemical”), Yankuang Guotai Chemical Co ,Ltd (兖矿国泰化工有限公司) (“Guotai Chemical”) and Shanghai Chundu International Trade Co ,Ltd (上海纯度国际贸易有限公司) (“Shanghai Chundu”) and the main terms of supply are as follows:

1.1.1 Purchase and Sale Contract

On May 3, 2008, the Company signed a purchase and sales contract with Kaida Chemical in Linyi. The summary of the purchase and sale contract is as below

Parties	Party A (the purchaser). the Company Party B (the supplier) Kaida Chemical			
Name	Manufacturer	Number (ton)	Total Amount (RMB)	Time and Term of Delivery

Crotonaldehyde	Kaida Chemical	100	1,080,000	Party B shall deliver the goods within three days after receiving the delivery notice
Quality criteria:	<p>(1) The components of the products should meet the following requirements over 99.4% content of Crotonaldehyde, below 0.20% content of water, below 0.3% content of reunited, below 0.15% content of acid (computed by acetic acid), transparent or light yellow liquid</p> <p>(2) The products shall be attached with quality check report of the products</p>			
Delivery	<p>1) Party B is responsible for transporting the products to Party A's factory</p> <p>(2) Party B shall bear the costs of transportation.</p> <p>(3) Party B shall take the risks during the transportation</p> <p>(4) The possession of the contracted products shall be transferred to Party A since the arrival at Party A's factory, unless Party A does not fully perform the obligation of payment.</p>			
Acceptance:	The test center of Party A shall examine the quality of the products according to its own quality and technology requirements. If any dispute occurred over the products, it shall be submitted to agreed Supervision Bureau for settlement. If the products are defective, the breaching party shall assume responsibility for default.			
Payment:	Payment shall be due and payable after the products are accepted by Party A and full value-added tax invoices were provided by party B.			
Responsibility for breach of the contract:	Both parties should perform their obligations under the contract according to PRC Contract Law. The breaching party shall compensate 20% penalties of the target amount to the other party.			
Dispute Settlement	Each party shall negotiate with the other party when any dispute arises thereof. If there is no compromise to be reached, it shall be submitted to Arbitration Court or People's Court where Party A located for settlement.			
Validity	<p>(1) The contract shall become effect after signature and seal of both parties</p> <p>(2) The term of valid period of the contract is half a year</p>			

On May 3, 2008, the Company signed a purchase and sale contract with Guotai Chemical in Linyi. The summary of the contract is as below:

Parties	Party A (the purchaser) the Company Party B (the supplier) Guotai Chemical			
Name	Manufacturer	Number (ton)	Total Amount (RMB)	Time and Term of Delivery
Crotonaldehyde	Guotai Chemical	5,600	1,960,000	Party B should deliver the goods in batch after receiving the delivery notice
Quality criteria:	(1) Both parties should perform their obligations according to international standard GB/T1628.1-2000 and agreements reached by both parties. (2) The product should be attached with quality check report			
Delivery	(1) Party B is responsible for transporting the products to party A's factory by tanker. (2) Party B shall bear the costs of transportation (3) Party B shall take the risks during the transportation (4) The possession of the contract products shall be transferred to Party A since the arrival at Party A's factory, unless Party A does not fully perform the obligation of payment thereunder			
Acceptance:	The test center of Party A shall examine the product according to national standard. If any dispute occurred over the product, it shall be submitted to agreed Supervision Bureau for settlement. If the products are defective, the breaching party shall assume responsibility for default.			
Payment:	Payment shall be due and payable after the products are accepted by Party A and full value-added tax invoices are provided by Party B.			
Responsibility for breach of the contract:	Both parties should perform their obligations under the contract according to PRC Contract Law. The breaching Party shall compensate 20% penalties of the target amount to the other party.			

Dispute Settlement.	Each party shall negotiate with the other party when any dispute arises thereof. If the two parties cannot reach an agreement, it shall be submitted to Arbitration Court or People's Court where the complying party located for settlement.
Validity	(1) The contract shall become effect after signature and seal of both parties (2) The term of valid period of the contract is half a year.

1 1 3 Purchase and Sales Contract

On May 2, 2008, the Company signed a purchase and sales contract with Shanghai Chundu in Linyi Van Science and Technique Co., Ltd. The summary of the purchase and sales contract is as below:

Parties Party A (the purchaser) the Company
 Party B (the supplier) Shanghai Chundu

Name	Type	Manufacturer	Number (ton)	Total amount(RMB)	Time and Term of Delivery
Potassium hydroxide	The content of KOH beyond 48%, Cl below 0.002%	Youlide(优利德)	300	1,035,000	Party B shall deliver the goods within three days after receiving the delivery notice
Quality criteria:	(1) Both parties should perform their obligations according to national standard GB/T1919-2000 and agreements reached by both parties (2) The product shall be attached with quality check report				
Delivery:	(1) Party B is responsible for transporting the products to Party A's factory by tanker (2) Party B shall bear the costs of transportation (3) Party B shall deliver the products according to related laws and regulations and take the risks during the transportation (4) The possession of the contract products shall be transferred to Party A since arrival at the Party A's factory, unless Party A does not fully perform its obligation of payment thereunder				

- Acceptance:** The test center of Party A shall examine the products according to its own quality and technology requirements. If the products are defective, Party A can return the product to Party B by original tanker for change. The damages caused by unduly delivery shall be born by Party B.
- Payment:** Payment shall be due and payable in six days after the products are accepted by Party A and full value-added tax invoices are provided by Party B.
- Responsibility for breach of the contract:** Both parties should perform their respective obligations under the contract according to PRC Contract Law. The breaching Party shall compensate 20% penalties of the target amount to the other party.
- Dispute Settlement** Each party shall negotiate with the other party when any dispute arises thereof. If both parties cannot reach an agreement, it shall be submitted to Arbitration Court or People's Court where Party A located for settlement.
- Validity** (1) The contract shall become effect after signature and seal of both parties.
(2) The term of valid period of the contract is half a year.

The top ten raw material suppliers from 2005 to the date of March 31, 2008 (please refer to appendix I for details)

1.2 Customers, sales and marketing

The Company markets and sells its finished products to customers in the PRC and overseas under the trading name Linyi Van Science and Technique Co., Ltd. and the trademark Gold Van (please refer to Section VII for details)

The top ten clients from 2005 to the date of March 31, 2008 (please refer to appendix II for details)

2 Related Party Transactions

According to PRC Company Law, related party transactions means the deals between controlling shareholders, actual controlling party, directors, supervisors, senior management personnel of the Company and those enterprises which have a direct or indirect control over the Company or whose relationship with the Company may result in a transfer of the Company's interests. The Company has confirmed in writing that there has been no related party transactions in the three financial years ended 31 December 2007 and up

to the date of this Due Diligence Report and as a result of our investigations for the purpose of this Due Diligence Report we have no reason to believe or suspect otherwise

3 Material Contracts (as listed in 1.1 and 1.2 of this section)

4 Pricing and Price Control

According to the information provided by the Company and based on our duly investigation, there is no product of the Company is subject to any form of price control in accordance with PRC law, regulations and bylaws.

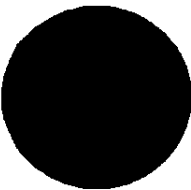
VI. LITIGATION

There is no official databank in PRC with which we can confirm the status of the Company in connection with litigation. The Company has confirmed in writing that there is no litigation, arbitration, proceedings, claims, or penalties that are currently pending or threatened against the Company at the time of this Due Diligence Report.

VII. INTELLECTUAL PROPERTY

Trademark

As of the date of this Due Diligence Report, the Company owns one registered trademark with the following information:

Registered Number	Trade Marks	Class	Valid Term
3478980	 GOLD VAN 金先锋 (JINXIANFENG)	Class 1 chemicals for food antiseptics, chemical for food preservatives, beer clarifier and preservatives; 食品防腐用化学品; 食品储存用化学品, 啤酒澄清剂和防腐剂	From 21 Nov, 2004 to 11 Nov 2014

Supporting Documents

- 1) Trademark Registration Certificate (商标注册证) numbered 3478980 issued by Trademark Office of State AIC (国家工商行政管理总局商标局) dated November 21, 2004

Domain name

The Company has entered into contract with Zhejiang Netsun Co ,Ltd (浙江网盛科技股份有限公司) for registration on November 4, 2004 and (北京东方网络信息科技有限公司) for registration in 2007 The Company owned the following domain names to date

<http://www.vanchemical.com>

[http //www.goldvan.cn](http://www.goldvan.cn)

Production processes, techniques and related intellectual property rights

According to the Company, there are know-hows on the production processes and techniques of the Company, but there are no intellectual property rights are required therewith

Conclusion

The above Trademark is legally owned by the Company in accordance with PRC Laws Registration of the trademark has been located by trademark online search on [http //sbcx saic gov cn/trade/index.jsp](http://sbcx.saic.gov.cn/trade/index.jsp)

The Company confirmed that, (a) other than the abovementioned, the Company does not own and is not being licensed to other patents, copyrights, trademarks, trade secrets or other proprietary rights and processes and (b) the Company has not received any notice and is not aware of any pending infringement claims regarding any third party's patents, copyrights, trademarks, trade secrets, domain names or other proprietary rights and processes against the Company nor is there any threat thereof, and there is no violation by a third party of any of its patents, copyrights, trademarks, trade secrets, domain names or other proprietary rights and processes Based on our investigations for the purpose of this Due Diligence Report, we have no reason to believe or suspect otherwise

VIII. BORROWINGS/LIABILITIES

1 Bank Borrowings

As confirmed by the Company, the Company owes the following outstanding loans amounting to RMB 24,850,000, the details are as follows

No.	Amount (RMB) –	Loan Bank	Period	Security
1 1	2,750,000	Linyi Shizhong Branch, Industry & Commerce Bank of China (中国工商银行 临沂市中支行)	From October 1, 2007 to September 10, 2008	Real estate mortgage (please see VIII 2 1 2 for details)
1 2	3,250,000	Linyi Shizhong Branch, Industry & Commerce Bank of China (中国工商银行临 沂市中支行)	From October 17, 2007 to October 10, 2008	Real estate mortgage over (please see VIII 2 1 2 for details)
1 3	1,000,000	Linyi Shizhong Branch, Industry & Commerce Bank of China (中国工商银行临 沂市中支行)	From January 7, 2008 to October 10, 2008	Real estate mortgage (please see VIII 2 1.2 for details)
1 4	2,750,000	Linyi Shizhong Branch, Industry & Commerce Bank of China 工商银行临沂市 中支行)	From April 2, 2008 to October 30, 2008	Real estate mortgage (please see VIII 2 1.2 for details)
1 5	1,000,000	Linyi Shizhong Branch, China Construction Bank(中 国工商银行临沂市中支行)	From May 26, 2008 to October 30, 2008	Real estate mortgage (please see VIII 2.1 2 for details)
1 6	4,500,000	Linyi Shizhong Branch, Industry & Commerce Bank of China (中国工商银行临 沂市中支行)	From July 8, 2008 to July 3, 2009	Equipment mortgage (please see VIII 2 1 3 for details)
1 7	5,000,000	Linyi Shizhong Branch, China Construction Bank(中 国建设银行临沂市中支行)	From December 7, 2007 to October 6, 2008	Equipment mortgage (please see VIII 2 1.1 for details)
1.8	4,600,000	Rural Credit Union of Luo Zhuang District, Linyi City (临沂市罗庄区农村信 用合作联社)	From October 30, 2007 to October 29, 2008	Joint liability guarantee (please see VIII 2 2 for details)

2 Guarantee Contract

2.1.1 Maximum Amount Mortgage Contract(最高额抵押合同)

Mortgagor	Linyi Van Science and Technique Co.,Ltd.
Mortgagee	Linyi Shizhong Branch, Construction Bank of China (中国建设银行临沂市中支行)
Mortgage period and maximum amount of mortgage	From May 24, 2007 to May 22, 2009 RMB5,000,000
Amount of loan outstanding	RMB5,000,000
Mortgaged property	Two Sorbic Acid Production Lines RMB 20,975,700 RMB 14,720,000 (please refer to 1 of Section III for reference)

2.1.2 Maximum Amount Mortgage Contract(最高额抵押合同)

Mortgagor	Linyi Van Science and Technique Co., Ltd.
Mortgagee	Linyi Shizhong Branch, Industry & Commerce Bank of China (中国工商银行临沂市中支行)
Mortgage period and maximum amount of mortgage	From October 31, 2005 to October 31, 2008, RMB14,000,000
Amount of loan outstanding	RMB10,650,000
Mortgaged property	Land use right Lin Kai Guoyong 2003 No 007 Building Lin Fang Quan Zheng Luozhuang District Zi No 32050001 Lin Fang Quan Zheng Luozhuang District Zi No 32050002 Lin Fang Quan Zheng Luozhuang District Zi No 32050003 Lin Fang Quan Zheng Luozhuang

	District Zi No 32050004 The total value is RMB 28,013,000
--	--

2.1.3 Maximum Amount Mortgage Contract (最高额抵押合同)

Mortgagor	Linyi Van Science and Technique Co.,Ltd.
Mortgagee	Linyi Shizhong Branch, Industry & Commerce Bank of China (中国工商银行临沂市中支行)
kind and amount of the principal claim secured	From July 8, 2008 to July 3 , 2009, RMB4,500,000
Amount of loan outstanding	RMB4,500,000
Name of the mortgaged property	Sorbic Acid Production Line evaluated RMB 20,975,700 (please refer to 1 of Section III for reference)

2.1.4 Guarantee Contract (保证合同)

Beneficiary	Linyi Van Science and Technique Co., Ltd.
Creditor	Luozhuang Rural Credit Union of Linyi(罗庄区农村信用合作社)
Relationship	Please refer to Section 1 5,1 6 of Part I for reference
Amount guaranteed	RMB 4,600,000
Amount of loan outstanding	RMB 4,600,000
When to be discharged	Within 2 years since the outstanding loan is due
Guarantor	Linyi Huasheng Trading Co , Ltd Shandong Chaoyue Electricity Equipment Co , Ltd

Conclusion

The above contracts were legal, valid and enforceable in accordance with PRC Laws and do not contain any unusual or unduly onerous terms, we have not sighted nor are we aware of any notice or evidence of any breach in relation thereto as of the date of issuing this Due Diligence Report

3 Encumbrance of Equity Interest

As confirmed by the company in writing that the Company is not subject to any encumbrance, mortgage, pledge or charge and as a result of our investigations for the purpose of this Due Diligence Report and based on the documents we have sighted to date we have no reason to believe or suspect otherwise

4 Contingent Liabilities

The Company confirmed that, other than above mentioned, up to the date of this Due Diligence Report, no other bank loan, external investment, encumbrance, lien, mortgage, pledge, charge, guarantee or indemnity has been provided by the Company with respect to its assets or its equity interests nor has any other parties provided any guarantee or indemnity to any other party in relation to the Company's liabilities or obligations and as a result of our investigations for the purpose of this Due Diligence Report we have no reason to believe or suspect otherwise

we noticed in the Assets Valuation Report on Enterprise's Acquisition of Linyi Van and Science Co., Ltd (Ji Yongcheng Ping Zi[2008]No 007-1)(济永晟评字[2008]第 007-1 号) that there is a long-term equity investment of the Company The recording information is as follow

Name	Date of Investment	Proportion	Book Value (RMB)	Assessment Value (RMB)
Qihe crotonaldehyde Limited Company	September 5, 2006	25%	5,000,000	5,000,000

Conclusion

According to the Company's confirmation, this investment has been resolved in March, 2008 and the Company has no external investment to date and based on the documents we have sighted to date we have no reason to believe or suspect otherwise

5 Other Liabilities

As confirmed in writing by the Company, up to the date of this Due Diligence Report, the Company does not have any other liability except for the loans and guarantees listed above and liabilities in the ordinary course of business and the Company has not provided any guarantee or indemnity to any party or under any contract or agreement with respect to such other party's liabilities or obligations nor has the Company provided any encumbrance, lien, mortgage, pledge or charge with respect to its assets or its equity interests in relation to any such other party's liabilities or obligations. Based on our investigations for the purpose of this Due Diligence Report we have no reason to believe or suspect otherwise.

IX. MATTERS RELATING TO BUSINESS OF COMPANY

1 State/Local Tax

A Taxation Registration Certificate (税务登记证) with Serial No Lu Shui Lin Zi 371311730647578 (鲁税临字 371311730647578 号) was issued to the Company jointly by the Local and State Taxation Administration of Urban District, Linyi City on January 17, 2008. This taxation certificate is subject to annual examination conducted by their respective issuing authorities.

The type of tax and rate applicable to the Company is as follows:

Type of Tax	Rate
Enterprise Income tax	Half of 33% in 2007, half of 25% in 2008 (to be clarified with the company)
Value added tax (增值税)	17%
Tenure tax (土地使用税)	RMB8 / m ²
Housing property tax(房产税)	1.2%
Stamp tax (印花税)	3 ‰
Tax for maintaining and building cities construction tax (城建税)	7%
Education tax (教育税)	3%
Local education supplementary tax (地方教育附加税)	1%

According to the newly promulgated Enterprise Income Tax Law of the PRC (中华人民共和国企业所得税法) (the "Enterprise Income Tax Law") effective on January 1, 2008, 25% income tax rate applies to all enterprises,

including the WFOEs

According to the Preferential Decision to Linyi Van Science and Technique Co., Ltd issued by High-tech Industrial Development Zone on October 19, 2004 (Lin Kai Guan Fa[2004]No 49), the Company has been enjoying a preferential tax exemption since 2005, i.e. from the year the Company began to make profits, which exempted the Company from income tax in the first and second calendar year, and enjoyed a 50% reduction in the third to fifth calendar years

Based on the Confirmation Letter issued by the Local and State Taxation Administration of High-tech Industrial Development Zone of Linyi City (临沂市高新区国税局、临沂高新区地税局) dated August 29, 2008, the Company (a) has made full payment of its outstanding tax liabilities and (b) is not subject to any taxation penalty as a result of any violation of PRC Laws

2 Foreign Exchange

According to Interim Provisions of Foreign Exchange Registration of Foreign Investment Enterprises Procedures(外商投资企业外汇登记管理暂行办法) promulgated by the State Administration of Foreign Exchange and effective on January 1, 1996, Foreign investment enterprises shall, within 30 days of being issued the business licence, carry out foreign exchange registration. The Company has obtained the Foreign Exchange Registration Certificate (No 00071006) (外汇登记证) issued by Linyi SAFE in January 2005 and Foreign Exchange IC Card in 2008. This certificate is subject to annual examination conducted by the issuing authority. This certificate is not required conduct annual examination for 2007 since the Company has obtained the IC Card in 2008

3 Environmental Protection

According to the Confirmation Letter issued by the Environmental Protection Bureau of Linyi City(临沂市环境保护局) on August 29, 2008, the Company has not violated any applicable environmental protection laws and regulations of the PRC since its establishment. The Company's manufacturing facilities and construction activities satisfied all environmental protection laws and regulations and/or any compulsory environmental standards and we did not discover anything during our investigations to suggest otherwise. In addition, the Company has duly obtained a waste disposal permit (排污许可证) on February 15, 2008. This certificate is subject to annual examination conducted by the issuing authority and the Company has completed the annual inspection for 2007.

4 Organization Code Certificate

According to the Administrative Provisions of Organization Code(山东省组织机构代码管理办法) promulgated by Shandong People's Government on October 16, 2002 and effective on January 1, 2003, the organization should ,within 30 days of its establishment, apply to local quality and technology supervision authority for registration. The Company has obtained the Organization Code Certificate for Enterprise as Legal Entity (No 73064757-8) (组织机构代码证) issued by the Quality and Technology Supervision Bureau of Linyi (临沂市质量技术监督局) with the valid period from March 29, 2007 to March 29, 2011. This certificate is subject to annual examination conducted by the issuing authority and the Company has completed the annual inspection for 2007.

5 Bank Account Opening Certificate

The Company has obtained the Bank Account Opening Certificate issued by Linyi Shizhong Branch, People's Bank of China on January 25, 2007. This certificate is not subject to annual examination conducted by the issuing authority (Certificate NO..4510-00779283).

6 Finance Registration Certificate

According to Administration of Financial Registration of Foreign Investment Enterprises Procedures(外商投资企业财政登记管理办法) promulgated by the Ministry of Finance and effective on 8 May 1996, Foreign investment enterprises shall, within 30 days of the date of being issued the business licence signed by the Administrative Department in Charge of Industry and Commerce, carry out financial registration. We are informed by written confirmation that the Company has applied to the Finance Bureau of Linyi City (临沂市财政局) for registration of Finance Registration Certificate (财政登记证) and the certificate shall be obtained right after the balance of the consideration for acquisition is fully paid.

7 Customs Import and Export Goods Declaration Shoufahuoren

Registration Certificate (中华人民共和国海关进出口货物收发货人报关注册登记证书)

Customs of Linyi, PRC issued a *Customer Clearance Certificate for Import-Export Goods of Seller* to the Company on January 24, 2005. The Certificate is valid until January 28, 2011. This certificate is not subject to annual examination conducted by the issuing authority.

8 Registration Form of Foreign Trade Operator Registration (对外贸易经营者备案登记表)

The Company duly recorded its Registration Form of Foreign Trade Operator Registration on January 17, 2007. This certificate is not subject to annual examination conducted by the issuing authority.

Conclusion

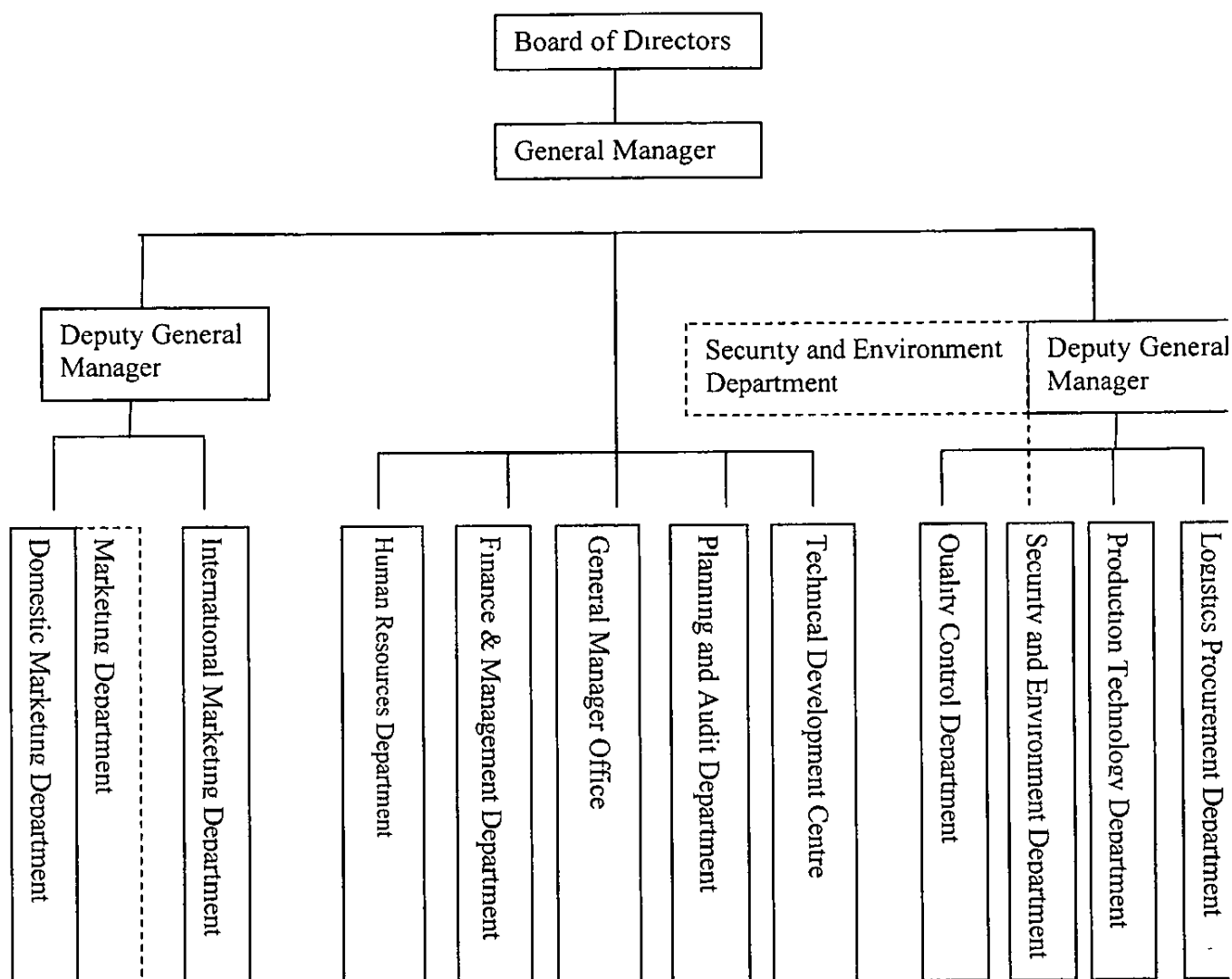
To the best of our knowledge based upon our investigations and inquiry for the purpose of this Due Diligence Report and as confirmed by the Company, save for the Finance Registration Certificate disclosed hereinbefore, all approvals, licences, permits, and/or certificates that are necessary for the Company to carry on its business in the PRC as stated in its business licence has been obtained. All such approvals remain in full force and effect and have not been revoked, withdrawn, suspended or cancelled. Under the PRC Laws, other than the licences and permits mentioned above, no other approval is required under the existing PRC Laws in order for the Company to conduct its business and operations duly and legally.

X. LABOUR MATTERS

According to the Company's written confirmation, as of July 24, 2008, 296 individuals were employed by the Company on a full-time basis as follows:

	Number
Management	3
Executive staff	14
Human Resources Department	2
Finance & Management Department	10
Technical Development Centre	3
International Marketing Department	4
Domestic Marketing Department	5
Logistics Procurement Department	6
Security and Environment Department	14
Engineering Department	18
Quality Control Department	16
Workshop I	19
Workshop II	82
Workshop III	51
Engine House	23
Production Technology Department	26
Total	296

The Company is organised as follows.



Responsibilities of each department:

1) International Marketing Department (located in Shanghai)

Major function charge international trade, develop international market and research on the international customers' demands, manage deliveries and transportation of products, manage distributions/agencies in international market and overseas offices, manage corresponding documents, confirm merchants evaluation and special demands of customers etc., recalling according to 7 2/8 2 1/8 4 of ISO3001, 4.4.6/4 4.3 of ISO 14001, HACCP etc

2) Domestic Marketing Department

Major function charge sales in domestic market, research on domestic market, develop domestic customers and research on customers' demands, manage deliveries and transportation of national trades, manage domestic distributions and agencies, recalling according to 7 2/8 2 1/8 4 of ISO9001, 4 4 6/4 4 3 of ISO 14001,

HACCP etc

3) Technical Development Centre

Major function. research and test on products, develop technology, formulate the process and the technical index, technical reserves, manage technical improvements, basically research on the quality control of present products and technical guidance of production research tracking, manage the laboratory; check the implement of the technical improvements etc

4) Production Technology Department

Major function: manage each workshop, testing and laboratory analysis of the process; production scheduling, DCS network and centralized management, general statistics centralized management; manage laboratory, research and development and in line with the test, exam production etc

5) Quality Control Department

Major function manage supplier assessments, control raw materials and product quality, quality inspection and testing responsibility for the management, manage the quality before loading, system certification, manage samples etc

6) Project Management Department

Major function manage facilities and power, telecommunication and communication; evaluation and budget of technical improvements, manage technical transformation projects and pipelines; relevant assessments etc.

7) Security and Environment Department

Major function safety production and labor protections, environmental protections and disposal of wastes, health supervision, public security, manage personnel and vehicle, plant landscaping and greening, sanitation protections, security and environment assessments, inspect the company etc

8) Logistics Procurement Department

Major function research and maintain suppliers, implement comprehensive procurement plans, store liquid and logistics handling, assessments of suppliers, other assessments etc.

9) Finance Department

Major function manage the assets and funds; manage accounting, costs, profits and tax, cost assessments, related contracts, internal audits, relevant assessments etc

10) Human Resource Department

Major function employees training and education, manage special operations staff for licence required, manage welfare, recruitment, employment and dismissal, relevant assessments etc

11) Office

Major function charge executive and office supporting (including documents, letters, seals, meetings, internal vehicles etc), interior affairs and receptions, manage files and confidential matters, corporate planning, legal advice etc

12) Trade Union

- Major function
- (1) Life Committee: manage logistics, daily life and facilities, employees' amateur cultural and sports activities, publicity and relevant facilities management etc
 - (2) Women's Work Committee protect women's legal rights and relevant activities and managements, work and manage family planning etc
 - (3) Organize trade unions and fund inspections etc

The Company confirmed that each of the employees has duly and validly entered into an employment contract with the Company. The Company has obtained a copy of the Company's payroll of RMB 32 8393.00 for July, 2008 and conducted a sample of labor contract as due diligence on this issue and based on our review of a sample of executed contracts made between the Company and its employees for the purpose of this Due Diligence Report we have no reason to believe or suspect otherwise.

According to the sample contracts provided by the Company, there are no provisions that would violate any PRC Laws. We are of the opinion that the sample employment contracts are legal and valid under the PRC Laws. Based on the above, we are of the opinion that the Company has properly employed all its employees in accordance with the PRC Laws.

The Company has obtained the Social Insurance Register(社会保险登记证) issued by the Labour and Social Security Office of High-tech Industrial Zone of Linyi City ("LHSSB") (临沂市高新技术产业开发区劳动与社会保障局) on September 22, 2004.

As confirmed by LHSSB with a confirmation letter dated August 29, 2008, the Company has complied with all applicable labour and social security laws and regulations and has fully paid all required social insurance premiums for all its employees.

As confirmed by LHSSB in a letter dated August 29, 2008, the Company is not compulsorily required to pay housing accumulation funds for its employees and LHSSB will not impose such housing accumulation funds retroactively.

According to the Company, more than 260 of the Company's employees have participated in labor union of the Company, and Company has not been threatened or has any strike occurred to date. There is a good employer-employee relationship in the Company and there are no actual or proposed industrial or other actions or any labor disputes between the Company, the labor union and the employees.

Supporting Documents

- 1) Social Insurance Register Certificate issued on September 22, 2004
- 2) Letter from Labor and Social Security Bureau of High-tech Industrial Zone of Linyi City ("LHSSB", 临沂高新技术产业开发区劳动与社会保障局) dated August 29, 2008

- 3) Registration certificates of labor contracts entered into between the Company and its employees in the PRC

XI. SAFETY AND HEALTH

In accordance with China Food and Health Act (中华人民共和国食品卫生法) promulgated by the 8th National People's Congress Standing Committee of People's Republic of China (中华人民共和国第八届全国人民代表大会常务委员会) and came into effect on 30 October 1995 , Health Regulations Relating to the Food Additives (食品添加剂卫生管理条例) released by the Health Ministry on 11 December 2001 and came into effect on 1 July 2002 , Shandong Safety Production Provision (山东省安全生产管理条例) promulgated by the 10th People's Congress Standing Committee of Shandong Province (山东省第十届人民代表大会常务委员会) on March 30, 2006 and came into effect on June 1, 2006, Administrative Regulations of Production Licence for Industrial Products(中华人民共和国工业产品生产许可证管理条例) promulgated by the State Council on July 24, 2005 and effective on September 1, 2005 and other related PRC Laws, the Company has obtained all requisite certificates and permits for its operation of business [and all such certificates and permits remain in full force and effect and have not been revoked, withdrawn, suspended or cancelled

1 Sanitation Licence (卫生登记证)

The Company has obtained a Sanitation Licence issued by the Shandong Entry-Exit Inspection and Quarantine Bureau on August 31, 2007 The licence is valid until August 30, 2010

2 Food Health Permit (食品卫生许可证)

The Company has obtained a Food Health Permit issued by the Health Department of Shandong Province. The permit is valid from March 12, 2007 to March 11, 2011 This certificate is subject to annual examination conducted by the issuing authority and the Company has completed the annual inspection for 2007

3 Safety Production Permit (安全生产许可证)

The company has obtained a Safety Production Permit issued by Shandong Administration of Work Safety on June 13, 2008, the permit is valid from June 13, 2008 to June 12, 2011 This certificate is subject to annual examination conducted by the issuing authority and the Company has completed the annual inspection for 2007.

4 Production Licence for Industrial Products (全国工业产品生产许可证)

The company has obtained Production Licence for Industrial Products issued by the General Administration of Quality Supervision, Inspection and Quarantine of People's Republic of China (Licence No.. XK13 - 217 - 00506) on November 20, 2006 The Licence is valid until November 19, 2011

5 Special Equipment Use Certificate 特种设备使用登记证

The Company has obtained the requisite certificates for the operation of the business from Linyi Bureau of Quality and Technical Supervision and subject to annual inspection of 2007 The Company owns the following registered certificates

	Certification Number (使用证编号)
5 1	Guo Lu QN0003(锅鲁 QN0003)
5 2	Rong 1LE Lu QN0042(容 1LE 鲁 QN0042)
5.3	Rong 1LE Lu QN0044(容 1LE 鲁 QN0044)
5 4	Rong 1LE Lu QN0045(容 1LE 鲁 QN0045)
5 5	Rong 1LE Lu QN0046(容 1LE 鲁 QN0046)
5 6	Rong 1LE Lu QN0047(容 1LE 鲁 QN0047)
5 7	Rong 2MS Lu QN0025(容 2MS 鲁 QN0025)
5 8	Rong 1LS Lu QN0029(容 1LS 鲁 QN0029)
5 9	Rong 2MS Lu QN0026(容 2MS 鲁 QN0026)
5 10	Rong 2MZ Lu QN0027(容 2MZ 鲁 QN0027)
5 11	Rong 2MZ Lu QN0028(容 2MZ 鲁 QN0028)
5 12	Rong 1LE Lu QN0033(容 1LE 鲁 QN0033)
5 13	Rong 1LC Lu QN0039(容 1LC 鲁 QN0039)
5 14	Rong 1LE Lu QN0040(容 1LE 鲁 QN0040)
5 15	Rong 1LC Lu QN0036(容 1LC 鲁 QN0036)
5 16	Rong 1LC Lu QN0037(容 1LC 鲁 QN0037)
5 17	Rong 2MC Lu QN0038(容 2MC 鲁 QN0038)
5 18	Rong 1LE Lu QN0041(容 1LE 鲁 QN0041)
5 19	Rong 1LE Lu QN0043(容 1LE 鲁 QN0043)
5 20	Rong 1LE Lu QN0034(容 1LE 鲁 QN0034)
5 21	Rong 1LS Lu QN0030(容 1LS 鲁 QN0030)
5.22	Rong 1LS Lu QN0031(容 1LS 鲁 QN0031)

5 23	Rong 1LS Lu QN0032(容 1LS 鲁 QN0032)
5 24	Rong 1LC Lu QN0035(容 1LC 鲁 QN0035)

Conclusion

We hereby are of the opinion that the company is in compliance with the health and safety regulations applicable, in particular, regulations relating to production equipment, work process, raw materials, and production procedures. All requirements stipulated by the state, provincial or municipal government are met and all approvals, permits, consents or licences required has been obtained by the Company in accordance with PRC laws and all such approvals, permits, consents or licences remain in full force and effect and have not been revoked, withdrawn, suspended or cancelled.

XII. Insurance

According to the documents supplied by the Company, the Company owned the following insurance with the details as follows:

Information/document required	Answer/date of providing the document	Answer/date of providing the document	Answer/date of providing the document	Answer/date of providing the document	Answer/date of providing the document
1 Policyholder	LinYi Van Science and Technique Co.,Ltd	LinYi Van Science and Technique Co.,Ltd	Shao Mingming	Wang Liaoju	Shao Mingming
2 Insurer	PICC	PICC	PICC	PICC	PICC
3 Beneficiary	LinYi Van Science and Technique Co.,Ltd	LinYi Van Science and Technique Co.,Ltd	Shao Mingming	Wang Liaoju	Shao Mingming
4 Insurance policy number	PDAA200837130200011959	PDAA200837130200011960	PDAA200837130200009010	PDAA200837130300002003	PDAA200837130200009010
5 Of the insured	Passat sedan(style SVW7183AG1)	Liberation bus(style:CA6350A2)	BUICK(style SGM7252GL)	Accord sedan (style HG7230)	BUICK(style SGM7252GL)

6	Maximum insured amount	(1)	(1)	(1)	(2)	(3)
7	Premium	RMB900 00	RMB1,017 00	RMB950 00	RMB618 40	RMB 5,937 32
8	Any abnormal exemption of liability clauses	N/A	N/A	N/A	N/A	N/A
9	Date of last payment of premium and amount	N/A	N/A	N/A	N/A	N/A
10	Date of expiry or renewal	May 31, 2009	May 31,2009	Apr 28,2009	Jan 31,2009	Apr 28,2009
11	Any outstanding claims	N/A	N/A	N/A	N/A	N/A
12	Any actual (or possible) event that will render the policy void or unenforceable	N/A	N/A	N/A	N/A	N/A
13	Copies of the insurance policies/deed	N/A	N/A	N/A	N/A	N/A
14	Receipts or evidence of latest payment of premium	W4696427	W4696428	N/A	N/A	N/A

- (1) Death and disability compensation limitation RMB110,000 00, Compensation for medical expenses limitation. RMB10,000 00, Property damages limitation: RMB2,000 00, Death without responsibility and disability compensation limitation RMB11,000 00, Medical expenses without responsibility compensation limitation RMB1,000.00, Property damages without responsibility compensation limitation RMB100.00
- (2) Loss of motor vehicle insurance RMB230,000 00, Third party liability insurance RMB100,000.00; Officers liability insurance on board(driver). RMB10,000 00/per seat, Officers liability insurance on board(passenger) RMB10,000 00/per seat, Excluding tax-free Odds RMB0 00
- (3) Loss of motor vehicle insurance RMB190,000 00, Third party liability insurance RMB150,000 00, Officers liability insurance on board(driver) RMB10,000 00/per seat, Officers liability insurance on board(passenger) RMB10,000.00/per seat, theft and robbing insurance RMB160,000 00, Individual insurance broken glass RMB0 00, Body scratches loss insurance RMB5,000.00; Spontaneous loss of insurance RMB160,000 00, Excluding tax-free Odds RMB0 00.

XIII. CERTIFICATES AND LICENCES OF THE COMPANY THAT ARE AWARDS OR VOLUNTARY

1 Certificate of High-Tech Enterprise (高新技术企业证书)

Certificate of High-Tech Enterprise issued by the Department of Science and Technology of Shandong Province (Certificate NO.. Lu Ke Gao Zi [2008] No 15) on January 30, 2008

2 Certificate of Quality Management System Certification (质量管理体系认证证书)

China Quality Certification Centre certified that the Quality Management System of the Company is in conformity with ISO 9001 2000, GB/T 19001-2000 Standard The Certificate is applicable to the Food Additive-Sorbic Acid and Potassium Sorbate products and is valid until April 2, 2011. (Certificate # 00108Q10307R1M/3700).

3 Shandong Province Product Implementation of the Standards Certificate of Registration (山东省企业产品执行标准登记证书) Shandong Bureau of Quality and Technical Supervision and Linyi Bureau of Quality and Technical Supervision issued a *Shandong Province Product Implementation of the Standards Certificate of Registration* to the Company on April 6, 2006 [Certificate # 371311-0011]

4 Certificate of Environment Management (环境管理体系认证证书)

China Quality Certification Centre certified that the Environment Management System of the Company is in conformity with ISO 14001:2004, GB/T 24001-2004 Standard. The Certificate is applicable to the Food Additive-Sorbic Acid and Potassium Sorbate products and is valid from March 24, 2008 to March 23, 2011. (Certificate #: 00108E22079R1M/3700)

5 HACCP Certificate (HACCP 认证证书)

China Quality Certification Centre certified that the Company complies and continues to operate within the CAC/RCP1-1969, Rev 4 (2003) guidelines of the Hazard Analysis Critical Points Systems in relation to the production and related management activities for the Food Additive-Sorbic Acid and Potassium Sorbate. The Certificate is valid from March 19, 2008 to March 17, 2011.

6 Production Safety Advanced Enterprise (安全生产先进企业)

The CPC Working Committee for the High-tech Industrial Development Zones of Linyi City and the Administration Committee of High-tech Industrial Zones of Linyi City awarded the Company for being "2006's Linyi City High-tech Industrial Development Zone - Production Safety Advanced Enterprise" in March 2007. We have been informed by the Company that it has already applied to the related authority for a renewal of this certificate.

7 Food Sanitation Class A-Level Unit (食品卫生等级 A 级单位)

The Health Department of Shandong awarded the Company for being a "Food Sanitation Class A-Level Unit" in February, 2006.

8 Certification of the Occupational Health and Safety Management System (职业健康安全管理体系认证证书)

China Quality Certification Centre certified that the Company has implemented and maintains an Occupational Health and Safety Management System in accordance with GB/T OHSAS18001. The Occupational Health and Safety Management System is applicable to the production of Food Additive-Sorbic Acid and Potassium Sorbate and is valid from March 25, 2008 to March 24, 2011. (Certificate No..

- 9 FAMI-QS Certificate (欧洲饲料添加剂与预混合饲料质量体系认证证书)

HSL Certification Service certified that the Company has implemented and maintains a Quality Management System in compliance with the FAMI-QS Code of Practice for Feed Additive and Premixture Operator. The Certificate was issued on December 28, 2006 and expired on December 27, 2009.

- 10 IFANCA HALAL PRODUCT CERTIFICATE

An *IFANCA HALAL Product Certificate* was issued to the Company by the ISLAMIC FOOD AND NUTRITION COUNCIL OF AMERICA, which certified that the products of Sorbic Acid and Potassium Sorbate of the Company are under the supervision of the Islamic Food and Nutrition. The Certificate is valid until September 30, 2008. The Company shall be applying for renewed certificate in due course.

(Certificate No LVST-CN 07003)

- 11 Letter of Certificate of Orthodox Union

Orthodox Union Jewish Congregations of America certified that the production of Potassium Sorbate and Sorbic Acid of the Company are under the supervision of the Kashruth Division of the Orthodox Union. The Certificate is valid until July 31, 2008. The Company has applied for a renewed certificate and the same will be obtained soon.

- 12 Gardenlike Unit (花园式单位)

Linyi Municipal People's Government awarded the Company for its virescence gardenlike unit structure in November, 2005.

- 13 Advanced Unit in the Building of Professional Ethics (职业道德建设先进单位)

Linyi Federation of Trade Unions and the other related governmental authorities awarded the Company for its "advanced unit in the building of professional ethics" in December, 2006.

- 14 Contract Honoring & Credit Keeping Unit (守合同重信用单位)

Linyi AIC and Linyi City Enterprise Credit Association awarded the Company for being a "Contract Honoring & Credit Keeping" enterprise in

January, 2006.

- 15 Certificate for Being One of the Best Enterprise to Invest In in Shandong
(投资山东最佳企业)

Shandong Provincial Administration for Industry and Commerce and Shandong Individual & Private Enterprise Association awarded the Company for being "One of the best enterprise to invest in in Shandong" in January 2006.

- 16 Labor Certificate of Revitalization of Yimeng (振兴沂蒙劳动奖状)

Linyi City Federation of Trade Unions Employment Centre issued the "Labor Certificate of Revitalization of Yimeng" to the Company in February 2007.

- 17 Harmonious Labor Relations Enterprise (劳动关系和谐企业)

Linyi City Federation of Trade Unions awarded the Company for being a "Harmonious Labor Relations Enterprise" in February, 2007.



Appendix I (A)

Ten Largest Raw Material Suppliers

Raw Material Supplier	Supplied Raw Material	Type of Supplier	As of December 31, 2005(fiscal year)					Year of Commence of Cooperation
			Annual Supply	Amount of Purchasing Raw Material	Percentage of the Total Annual Amount of the Purchase Raw Materials	Way of Payment	Currency	
Jiangsu Kaide Chemical Co., Ltd (China)(江苏凯达化工有限公司 (中国))	Crotonaldehyde	Direct producer	2,381,700	29,034,035.90	42%	Paying after receiving the products	RMB	2005
Yankuang Guotai Chemical Co., Ltd (China)(兖矿国泰化工有限公司 (中国))	Acetic Acid	Direct producer	2,809,500	15,787,568.38	23%	Paying after receiving the products	RMB	2005
Shanghai Chunduo International Trade Co., Ltd (China)(上海纯度国际贸易有限公司 (中国))	Potassium Hydroxide, Potassium Carbonate	Wholesaler	2,351,120	4,810,218.80	7%	Paying after receiving the products	RMB	2005

Jilin Songtai Chemical Co., Ltd (China)(吉林市泰化工有限责任公司 (中国))	Crotonaldehyde	Direct producer	422,400	4,699,025 64	7%	Paying after receiving the products	RMB	2005
Shandong Mengshan Wine Co., Ltd (China)(山东蒙山酿酒有限公司 (中国))	Ethanol	Direct producer	951,982	3,832,993 68	6%	Paying after receiving the products	RMB	2005
Linyi Fuel Corporation (China)(临沂市燃料总公司 (中国))	Coal	Direct producer	6,584,446	3,055,836 26	4%	Paying after receiving the products	RMB	2005
Fujian Jian'ou Zhixing Activated Carbon Co., Ltd (China)(福建省建瓯市芝星活性炭有限公司 (中国))	Activated Carbon	Direct producer	485,700	2,914,444 44	4%	Paying after receiving the products	RMB	2005
2005 Jilin Zhongxin Chemical Co., Ltd. (China)(2005 年吉林中信化工有限公司 (中国))	Crotonaldehyde	Direct producer	213,110	2,325,334 19	3%	Paying after receiving the products	RMB	2005

Renping Huahao (Chemical Co ,Ltd (China)(荏平华昊 化工有限公司 (中国))	Acetylacetone	Direct producer	34,200	1,674,427 35	2%	Paying after receiving the products	RMB	2005
China Petroleum and Chemical Corporation Oil Branch of Linyi in Shandong (China)(中国石油化工股份 有限公司山东临沂 石油分公司 (中国))	Diesel	Direct producer	361,000	1,477,431 62	2%	Paying after receiving the products	RMB	2005
Total Amount (in accordance with the amount of annual audit report)			16,595,15 8	69,611,316 26	100%			

Appendix I (B)

Ten Largest Raw Material Suppliers

Raw Material Supplier	Supplied Raw Material	Type of Supplier	As of December 31, 2006(fiscal year)				Year of Commencement of Cooperation
			Annual Supply	Amount of Purchasing Raw Material	Percentage of the Total Annual Purchase Raw Materials	Way of Payment	Currency
Jiangsu Kaida Chemical Co, Ltd (China)(江苏凯达化工有限公司 (中国))	Crotonaldehyde	Direct producer	3,649,140	47,424,710 34	51%	Paying after receiving the products	RMB
Yankuang Guotai Chemical Co, Ltd (China)(兖矿国泰化工有限公司 (中国))	Acetic Acid	Direct producer	3,665,720	16,435,277 13	18%	Paying after receiving the products	RMB
Shanghai Chundu International Trade Co, Ltd (China)(上海纯度国际贸易有限公司 (中国))	Potassium Hydroxide, Potassium Carbonate	Wholesaler	3,012,540	6,776,671 73	7%	Paying after receiving the products	RMB
Shandong Mengshan Wine Co, Ltd (China)(山东蒙山酿酒有限公司 (中国))	Ethanol	Direct producer	1,268,620	5,108,142 22	5%	Paying after receiving the products	RMB

Fujian Jian'ou Zhixing Activated Carbon Co., Ltd (China)(福 建省建瓯市芝星活 性炭有限公司 (中国))	Activated Carbon	Direct producer	693,400	4,433,008 55	5%	Paying after receiving the products	RMB	2005
Linyi Fuel Corporation (China)(临沂市燃料总公司 (中国))	Coal	Direct producer	8,961,060	4,130,125 59	4%	Paying after receiving the products	RMB	2005
Jilin Songtai Chemical Co., Ltd (China)(吉林市松 泰化工有限公司 (中 国))	Crotonaldehyde	Direct producer	275,120	3,531,508 55	4%	Paying after receiving the products	RMB	2005
China Petroleum and Chemical Corporation Oil Branch of Linyi in Shandong (China)(中国石油化工股份 有限公司山东临沂 石油分公司 (中国))	Diesel	Direct producer	448,750	2,078,408 13	2%	Paying after receiving the products	RMB	2005
Linyi Yaxing Chemical Co., Ltd (China)(临 沂市亚星化工有限 责任公司 (中国))	Toluene	Direct producer	276,130	2,070,048 72	2%	Paying after receiving the products	RMB	2005

Jilin Zhongxin Chemical Co., Ltd (China)(吉 林中信化工有限公司 司 (中国))	Crotonaldehyde	Direct producer	132,340	1,713,863.25	2%	Paying after receiving the products	RMB	2005
Total Amount (in accordance with the amount of annual audit report)			22,382,820	93,701,764.20	100%			

Appendix I(C)

Ten Largest Raw Material Suppliers

Raw Material Supplier	Supplied Raw Material	Type of Supplier	As of December 31, 2007(fiscal year)					Year of Commencement of Cooperation
			Annual Supply	Amount of Purchasing Raw Material	Percentage of the Total Annual Amount of the Purchase Raw Materials	Way of Payment	Currency	
Jiangsu Kaida Chemical Co.,Ltd (China)(江苏凯达化工有限公司 (中国))	Crotonaldehyde	Direct producer	3,077,660	30,429,025.64	35%	Paying after receiving the products	RMB	2005
Yankuang Guotai Chemical Co.,Ltd (China)(兖矿国泰化工有限公司 (中国))	Acetic Acid	Direct producer	3,881,500	20,945,033.76	24%	Paying after receiving the products	RMB	2005
Shanghai Chundu International Trade Co.,Ltd (China)(上海纯度国际贸易有限公司 (中国))	Potassium Hydroxide, Potassium Carbonate	Wholesaler	3,439,230	8,430,252.82	10%	Paying after receiving the products	RMB	2005
Jilin Songtai Chemical Co.,Ltd (China)(吉林市淞泰化工有限公司 (中国))	Crotonaldehyde	Direct producer	575,700	5,441,666.67	6%	Paying after receiving the products	RMB	2005

Shandong Mengshan Wine Co., Ltd (China)(山东蒙山酿酒有限公司 (中国))	Ethanol	Direct producer	1,271,890	5,213,992.18	6%	Paying after receiving the products	RMB	2005
Jilin Zhongxin Chemical Co., Ltd (China)(吉林 中信化工有限公司 (中国))	Crotonaldehyde	Direct producer	509,700	4,792,051.28	5%	Paying after receiving the products	RMB	2005
Fujian Jian'ou Zhixing Activated Carbon Co., Ltd (China)(福建省建瓯市芝星活性炭有限公司 (中国))	Activated Carbon	Direct producer	651,000	4,224,529.91	5%	Paying after receiving the products	RMB	2005
Linyi Fuel Corporation (China)(临沂市燃料总公司 (中国))	Coal	Direct producer	8,000,990	3,944,484.10	5%	Paying after receiving the products	RMB	2005
China Petroleum and Chemical Corporation Oil Branch of Linyi in Shandong (China)(中国石油化工股份有限公司山东临沂石油分公司 (中国))	Diesel	Direct producer	574,980	2,667,442.65	3%	Paying after receiving the products	RMB	2005
Linyi Luozhuang Xingguang Chemical Factory (China)(临沂市罗庄区新光化工厂 (中国))	Hydrochloride	Direct producer	3,916,340	1,448,031.37	2%	Paying after receiving the products	RMB	2005

Total Amount (in accordance with the amount of annual audit report)	25,898,990	87,536,510 38	100%			
--	------------	---------------	------	--	--	--

Appendix I (D)

Ten Largest Raw Material Suppliers

Raw Material Supplier	Supplied Raw Material	Type of Supplier	As of March 31, 2008(fiscal year)				Year of Commence of Cooperation
			Annual Supply	Amount of Purchasing Raw Material	Percentage of the Total Annual Amount of the Purchase Raw Materials	Way of Payment	Currency
Jiangsu Kaida Chemical Co ,Ltd (China)(江苏凯达化工有限公司 (中国))	Crotonaldehyde	Direct producer	710,400	6,557,538 46	34%	Paying after receiving the products	RMB
Yankuang Guotai Chemical Co ,Ltd (China)(充矿国泰化工有限公司 (中国))	Acetic Acid	Direct producer	949,600	4,506,886 32	23%	Paying after receiving the products	RMB
Shanghai Chundu International Trade Co ,Ltd (China)(上海纯度国际贸易有限公司 (中国))	Potassium Hydroxide, Potassium Carbonate	Wholesaler	856,490	2,400,574 79	12%	Paying after receiving the products	RMB
Jilin Songtai Chemical Co ,Ltd (China)(吉林市松泰化工有限公司 (中国))	Crotonaldehyde	Direct producer	176,100	1,625,538 46	8%	Paying after receiving the products	RMB

Shandong Mengshan Wine Co ,Ltd (China)(山东蒙山酿酒有限公司 (中国))	Ethanol	Direct producer	313,230	1,443,672 14	7%	Paying after receiving the products	RMB	2005
Linyi Fuel Corporation (China)(临沂市燃料总公司 (中国))	Coal	Direct producer	1,661,570	965,698 80	5%	Paying after receiving the products	RMB	2005
China Petroleum and Chemical Corporation Oil Branch of Linyi in Shandong (China)(中国石油化工股份有限公司山东临沂石油分公司 (中国))	Diesel	Direct producer	134,780	741,096 58	4%	Paying after receiving the products	RMB	2005
Fujian Jian'ou Zhixing Activated Carbon Co ,Ltd (China)(福建省建瓯市芝星活性炭有限公司 (中国))	Activated Carbon	Direct producer	92,000	597,606 84	3%	Paying after receiving the products	RMB	2005
Linyi Luozhuang Xinguang Chemical Factory (China)(临沂市罗庄区新光化工厂 (中国))	Hydrochloride	Direct producer	939,030	409,303 33	2%	Paying after receiving the products	RMB	2005
Linyi Yaxing Chemical Co ,Ltd (China)(临沂市亚星化工有限责任公司 (中国))	Toluene	Direct producer	35,380	255,729 91	1%	Paying after receiving the products	RMB	2005

Total Amount (in accordance with the amount of annual audit report)	5,868,580	19,503,645.64	100%			
--	-----------	---------------	------	--	--	--

appendix II(A)

Ten Largest Clients

Client Name	Country	Main Supplied Product Include	Type	As of December 31, 2005(fiscal year)		
				Annual Supply	Sales Volume	Percentage
MOCKOBCKAR MOPSOBAR KOMNAHUR46,OZYORNA YAST ,MOSCOW,ROSSIN AVATAR CORPORATION	Russia	Sorbic Acid Potassium Sorbate	Wholesaler	558,500	11,879,303 68	15%
AMERICAN DYNAMAX.IC	USA	Sorbic Acid Potassium Sorbate	Wholesaler	540,500	11,565,622 44	14%
Shenzhen Sangda Shiye Co.,Ltd (深圳市桑达实业股 份有限公司)	USA	Sorbic Acid Potassium Sorbate	Wholesaler	490,500	10,579,983 08	13%
Lianyungang Huaming Trade Co ,Ltd (连云港华明贸易有 限公司)	China	Sorbic Acid Potassium Sorbate	Direct producer	377,500	7,944,829 06	10%
Zhejiang Chun'an Foreign Trade Company(浙江淳安县 对外贸易公司)	China	Sorbic Acid	Wholesaler	323,500	6,809,059.83	9%
APAC CHEMICAL CORPORATION	China	Sorbic Acid	Wholesaler	318,500	6,694,273 50	8%
Shenzhen Fennan Trade Co ,Ltd (深圳市芬南贸易有 限公司)	USA	Sorbic Acid	Wholesaler	294,000	6,598,923 81	8%
	China	Potassium Sorbate	Wholesaler	315,000	6,326,923 08	8%

Shanghai Siquao Shiye Co, Ltd (上海斯侨实业有限公司)	China	Sorbic Acid	Direct producer	282,500	5,963,119 66	7%
Lianyungang Zhongfu Import and Export Company(连云港市中孚进出口有限公司)	China	Potassium Sorbate	Direct producer	283,500	5,694,230 77	7%
Total Amount (in accordance with the amount of annual audit report)				3,784,000	80,056,268 91	100%

Appendix II(B)

Ten Largest Clients

Client Name	Country	Main Supplied Product Include	Type	As of December 31, 2006(fiscal year)		
				Annual Supply	Sales Volume	Percentage
BARENTZ B V	Netherland	Sorbic Acid Potassium Sorbate	Wholesaler	738,100	16243745 80	15%
MOCKOBCKAR MOPSOBAR KOMNAHUR46,OZYORNA YAST ,MOSCOW,ROSSIN	Russia	Sorbic Acid Potassium Sorbate	Wholesaler	646,500	14,057,029 83	13%
AMERICAN DYNAMAX IC	USA	Sorbic Acid Potassium Sorbate	Wholesaler	614,300	13,331,536 03	12%
Shanghai Siquiao Shiye Co ,Ltd (上海斯侨实业有 限公司)	China	Sorbic Acid Potassium Sorbate	Direct producer	532,100	12,001,974 36	11%
AVATAR CORPORATION	USA	Sorbic Acid	Wholesaler	454,100	10,579,145 3	9%
APAC CHEMICAL CORPORATION	USA	Sorbic Acid	Wholesaler	431,200	10,026,179 65	9%
Lianyungang Zhongfu Import and Export Co ,Ltd (连云港 市中孚进出口有限公司)	China	Potassium Sorbate	Wholesaler	436,800	9,840,752 14	9%
Lianyungang Huaming Trade Co ,Ltd (连云港华明贸易有 限公司)	China	Sorbic Acid Potassium Sorbate	Wholesaler	393,300	8,862,461 54	8%

Zhejiang Chun'an Foreign Trade Company(浙江淳安县对外贸易公司)	China	Sorbic Acid	Wholesaler	374,000	8,562,820 51	8%
Shenahen Fennan Trade Co ,Ltd (深圳市芬南贸易有限公司)	China	Potassium Sorbate	Wholesaler	372,100	8,150,008 55	7%
Total Amount (in accordance with the amount of annual audit report)				4,992,500	111,655,653 70	100%

Appendix II(C)

Ten Largest Clients

Client Name	Country	Main Supplied Product Include	Type	As of December 31, 2007(fiscal year)		
				Annual Supply	Sales Volume	Percentage
MOCKOBCKAR MOPSOBAR KOMNAHUR46,OZYORNA YAST ,MOSCOW,ROSSIN AMERICAN DYNAMAX IC	Russia	Sorbic Acid Potassium Sorbate	Wholesaler	971,110	21,546,869 11	17%
BARENTZ B V	USA	Sorbic Acid Potassium Sorbate	Wholesaler	729,750	16,264,366 17	13%
Lianyungang Huaming Tade Co ,Ltd (连云港华明贸易有 限公司)	Netherland	Sorbic Acid Potassium Sorbate	Wholesaler	677,750	15,010,537 90	12%
Shenzhen Sangda Shiye Co ,Ltd (深圳市桑达实业股 份有限公司)	China	Sorbic Acid Potassium Sorbate	Wholesaler	469,150	11,513,613.25	9%
Zhejiang Chun'an Foreign Trade Company(浙江淳安县 对外贸易公司)	China	Sorbic Acid Potassium Sorbate	Direct producer	459,200	11,345,555 56	9%
Lianyungang Zhongfu Import and Export Co ,Ltd (连云港 市中孚进出口有限公司)	China	Sorbic Acid Potassium Sorbate	Wholesaler	455,400	11,238,260 68	9%
	China	Potassium Sorbate	Direct producer	459,100	10,937,542 74	9%

Shanghai Siqiao Shiye Co.,Ltd(上海斯侨实业有限公司)	China	Sorbic Acid Potassium Sorbate	Direct producer	439,300	10,827,811 97	8%
Shenzhen Fennan Trade Co.,Ltd (深圳市芬南贸易有限公司)	China	Potassium Sorbate	Wholesaler	410,900	9,789,747 86	8%
V L CLARK CHEMICAL CO, INC	USA	Potassium Sorbate	Wholesaler	437,080	9,427,177 41	7%
Total Amount (in accordance with the amount of annual audit report)				5,508,740	12,790,1482 64	100%

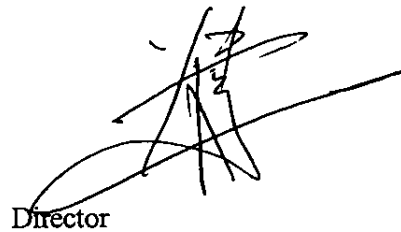
Appendix II (D)

Ten Largest Clients

Client Name	Country	Main Supplied Product Include	Type	As of March 31, 2008(fiscal year)		
				Annual Supply	Sales Volume	Percentage
AMERICAN DYNAMAX IC	USA	Sorbic Acid Potassium Sorbate	Wholesaler	239,850	5,838,556 14	17%
MOCKOBCKAR MOPSOBAR KOMNAHUR46,OZYORNA YAST ,MOSCOW,ROSSIN	Russia	Sorbic Acid Potassium Sorbate	Wholesaler	239,350	5,758,372 41	17%
BARENTZ B.V	Netherland	Sorbic Acid Potassium Sorbate	Wholesaler	161,700	3,934,595 58	11%
Shenzhen Sangda Shiye Co ,Ltd(深圳市桑达实业股份有限公司)	China	Sorbic Acid Potassium Sorbate	Direct producer	116,000	3,128,888 89	9%
Shanghai Siqiao Shiye Co.,Ltd(上海斯侨实业有限公司)	China	Sorbic Acid Potassium Sorbate	Direct producer	111,500	3,014,572 65	9%
Zhejiang Chun'an Foreign Trade Company(浙江淳安县对外贸易公司)	China	Sorbic Acid Potassium Sorbate	Wholesaler	99,800	2,705,452 99	8%
Lianyungang Huaming Trade Co.,Ltd(连云港华明贸易有限公司)	China	Sorbic Acid Potassium Sorbate	Wholesaler	98,000	2,669,658 12	8%
V L CLARK CHEMICAL CO ,INC	USA	Potassium Sorbate	Wholesaler	107,700	2,558,396 66	7%

Shenzhen Fennan Trade Co, Ltd(深圳市芬南贸易有限公司)	China	Potassium Sorbate	Wholesaler	96,700	2,528,111 11	7%
Lianyungang Zhongfu Import and Export Co, Ltd(连云港市中孚进出口有限公司)	China	Potassium Sorbate	Direct producer	90,300	2,361,512 82	7%
Total Amount (in accordance with the amount of annual audit report)				1,360,900	34,498,117 37	100%

Executed and delivered as a deed)
by **PRIME MEGA INTERNATIONAL**)
LIMITED acting by RAY ANG WEE BOON)



Director

Director/Secretary

Executed and delivered as a deed)
by **WANG YAN TING**)
in the presence of)

Executed and delivered as a deed)
by **HERMES CAPITAL LIMITED**)
acting by RAY ANG WEE BOON)



Director

Director/Secretary

Executed and delivered as a deed)
By **RAY ANG WEE BOON**)
in the presence of)

KHOR LEE CHIN

Executed and delivered as a deed)
by **NINETY PLC**)
acting by)

Director

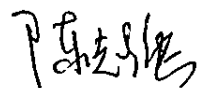
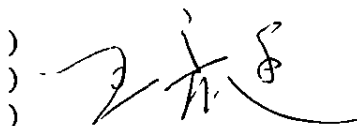
Director/Secretary

Executed and delivered as a deed)
by **PRIME MEGA INTERNATIONAL**)
LIMITED acting by)

Director

Director/Secretary

Executed and delivered as a deed)
by **WANG YAN TING**)
in the presence of)



Executed and delivered as a deed)
by **HERMES CAPITAL LIMITED**)
acting by)

Director

Director/Secretary

Executed and delivered as a deed)
By **RAY ANG**)
in the presence of)

Executed and delivered as a deed)
by **NINETY PLC**)
acting by)

Director

Director/Secretary

Executed and delivered as a deed)
by **PRIME MEGA INTERNATIONAL**)
LIMITED acting by)

Director

Director/Secretary

Executed and delivered as a deed)
by **WANG YAN TING**)
in the presence of)

Executed and delivered as a deed)
by **HERMES CAPITAL LIMITED**)
acting by)

Director

Director/Secretary

Executed and delivered as a deed)
By **RAY ANG**)
in the presence of)

Executed and delivered as a deed)
by **NINETY PLC**)
acting by)

Director

~~Director~~/Secretary