

EXECUTION COPY

DATE: 29 JANUARY 2007

ARTFIELD COMPANY LIMITED
(as the Vendor)

AND

MERRY CREST MANAGEMENT LIMITED
(as the Purchaser)

AND

LIANG JIN YOU
(as the Guarantor)

**AGREEMENT FOR SALE AND PURCHASE
OF SHARES IN
(1) ROYAL SUCCESS ENTERPRISES LIMITED AND
(2) ULTRA GOOD ELECTROPLATING LIMITED**

MICHAEL LI & CO.
14th Floor, Printing House
6 Duddell Street
Central, Hong Kong
(Ref: CCL/CMT/MC/061556)

THIS AGREEMENT is made on 29 January 2007

BETWEEN:

- (1) **ARTFIELD COMPANY LIMITED**, a company incorporated in the British Virgin Islands whose registered office is at P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands (the "Vendor");
- (2) **MERRY CREST MANAGEMENT LIMITED**(怡峰管理有限公司) a company incorporated in the British Virgin Islands whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and having its correspondence address at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Hong Kong(the "Purchaser"); and
- (3) **LIANG JIN YOU (梁金友)** (holder of Hong Kong Identity Card number: P089690(3) of 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Hong Kong (the "Guarantor").

WHEREAS:

- (A) Royal Success Enterprises Limited (the "Royal Success") is a company incorporated in Hong Kong with limited liability and as at the date hereof, has an authorised capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each (the "RS Shares"), of which 4 RS Shares (the "RS Sale Shares") have been issued and are fully paid up or credited as fully paid. Further details of Royal Success are set out in Schedule 1. The RS Subsidiary is wholly and beneficially owned by Royal Success.
- (B) Bessemer International Limited ("BIL"), a company incorporated in the British Virgin Islands, is the registered owner of 2 RS Shares and holding the 2 RS Shares on trust for the Vendor.
- (C) Ultra Good Electroplating Limited (the "Ultra Good") is a company incorporated in Hong Kong with limited liability and as at the date hereof, has an authorised capital of HK\$4,000,000 divided into 4,000,000 ordinary shares of HK\$1 each (the "UG Shares"), of which 4,000,000 UG Shares have been issued and are fully paid up or credited as fully paid. Further details of Ultra Good are set out in Schedule 3. The UG Subsidiary is wholly and beneficially owned by Ultra Good.
- (D) The Vendor is the beneficial owner of entire RS Sale Shares and 79.75% of the issued UG Shares (the "UG Sale Shares").
- (E) As at Accounts Date (as defined herein), RS Group (as defined herein) is indebted to the Vendor Group in the sum of HK\$9,773,115 (the "RS Debt").
- (F) As at Accounts Date, UG Group (as defined herein) is indebted to the Vendor Group in the sum of HK\$1,211,321 (the "UG Debt").

- (G) The Vendor has agreed to sell and the Purchaser has agreed to purchase the RS Sale Shares, the RS Debt, the UG Sale Shares and the UG Debt subject to and upon the terms and conditions of this Agreement.

NOW IT IS HEREBY AGREED as follows:

1. INTERPRETATION

- 1.1 In this Agreement (including the Recitals), unless the context otherwise requires or permits, the following words and expressions shall have the meanings ascribed to each of them respectively below:

“Accounts Date”	30 September 2006
“Artfield Industries”	Artfield Industries (Shenzhen) Limited, a wholly foreign owned enterprise established in the PRC, an indirect wholly owned subsidiary of the Vendor
“Associates”	has the meaning associated thereto in the Listing Rules
“Business Day”	a day (other than a Saturday or Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Completion”	completion of the sale and purchase of the RS Sale Shares, the RS Debt, the UG Sale Shares and the UG Debt in accordance with the terms and conditions of this Agreement
“Completion Date”	the date falling two Business Days after the date of fulfillment of the conditions set out in Clause 4.1
“Consideration”	the aggregate consideration payable for the RS Sale Shares, the RS Debt, the UG Sale Shares and the UG Debt in accordance with Clause 3.1
“Deed of Non-Competition Undertaking”	the deed of non competition undertaking (in form and substance to the reasonable satisfaction of the Holding Company) to be given by the Guarantor in favour of the Holding Company upon Completion

"Holding Company"	Artfield Group Limited, a company incorporated in Bermuda and the issued shares of which are listed on the main board of the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	holders of the issued shares of HK\$0.10 each in the capital of Holding Company other than the Purchaser, the Guarantor and their respective Associates.
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Other Agreement"	the sale and purchase agreement dated the date hereof and entered into between Artfield Manufacturing Company Limited and Asia Peace Development Limited in relation to the sale and purchase of all the equity interests of Artfield Industries (Shenzhen) Limited
"Purchaser Warranties"	the representations and warranties given by the Purchaser as set out in Schedule 6
"PRC"	the People's Republic of China which for the purpose of this Agreement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"RS Debt Assignment"	the deed of assignment in respect of the RS Debt to be made between the relevant members of the Vendor Group, the Purchaser and Royal Success in the approved form
"RS Group"	together, with Royal Success and the RS Subsidiary
"RS Management Accounts"	the unaudited consolidated balance sheet of the RS Group as at the Accounts Date. Copy of which is annexed to Schedule 7.
"RS Subsidiary"	Artfield Industries (Foshan) Limited, a wholly foreign owned enterprise established in the PRC, further details of which are set out in Schedule 2

"SFC"	Securities and Futures Commission of Hong Kong
"Share Charge"	share charge (in form and substance to the reasonable satisfaction of the Vendor) to be given by the Purchaser in favour of the Vendor in relation to the RS Sale Shares and the UG Sale Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supply Agreement"	the conditional supply agreement (in form and substance to the reasonable satisfaction of the Vendor) to be entered into between Artfield Manufacturing Company Limited, Royal Success and Ultra Good contemporaneously with this Agreement
"this Agreement"	this agreement for the sale and purchase of the RS Sale Shares, the RS Debt, the UG Sale Shares and the UG Debt as amended from time to time
"Vendor Group"	the Holding Company and its subsidiaries (excluding the RS Group and UG Group but including the Vendor)
"Vendor Warranties"	the representation and warranties given by the Vendor as set out in Schedule 5
"UG Debt Assignment"	the deed of assignment in respect of the UG Debt to be made between the relevant members of the Vendor Group, the Purchaser and Ultra Good in the approved form
"UG Group"	together, Ultra Good and the UG Subsidiary
"UG Management Accounts"	the unaudited consolidated balance sheet of the UG Group as at the Accounts Date. Copy of which is annexed to Schedule 8
"UG Subsidiary"	Ultra Good Electroplating Surface Finishing (Shenzhen) Company Limited, a wholly foreign owned enterprise established in the PRC, further details of which are set out in Schedule 4

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States of America dollars, the lawful currency of United States of America
“%”	per cent

1.2 References herein to Clauses and Schedule are to clauses in and schedule to this Agreement unless the context requires otherwise and the Schedule to this Agreement shall be deemed to form part of this Agreement.

1.3 The expressions "the Vendor", "the Purchaser" and "the Guarantor" shall, where the context permits, include their respective successors and personal representatives.

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

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

2. **SALE AND PURCHASE OF THE RS SALE SHARES AND THE RS DEBT AND THE UG SALE SHARES AND THE UG DEBT**

2.1 Subject to and upon the terms and conditions of this Agreement, the Vendor shall sell and the Purchaser shall purchase, the RS Sale Shares, the RS Debt, the UG Sale Shares and the UG Debt with effect from Completion free from all liens, charges and encumbrances and together with all rights attaching thereto including all dividends and distributions declared, made or paid thereafter.

2.2 The Vendor shall not be obliged to sell any of the RS Sale Shares or the RS Debt or the UG Sale Shares or the UG Debt unless the same are completed simultaneously.

3. **CONSIDERATION**

3.1 The consideration for RS Sale Shares and the RS Debt shall be HK\$1 and HK\$5,471,116 (which is calculated by setting off RS Debt of HK\$9,773,115 and the adjusted net liabilities of RS Group of HK\$4,301,999) respectively and the consideration for the UG Sale Shares and the UG Debt shall be HK\$4,954,256 and HK\$1,211,321, respectively. The aggregate Consideration shall be in the sum of HK\$11,636,694, being the sum of RS Sale Shares, the RS Debt, the UG Sale Shares and the UG Debt.

3.2 The consideration for the sale and purchase of the RS Debt and the UG Debt shall be equivalent to the face value of the RS Debt and the UG Debt respectively. The same will be adjusted on a dollar-for-dollar basis between the differences of their

respective amounts as at Accounts Date and at Completion and be settled within three (3) months after Completion by the respective parties.

3.3 The Consideration shall be payable as follows:

- (1) HK\$1,100,000 shall be paid by the Purchaser to the Vendor as deposit and part payment of the Consideration upon the signing of this Agreement (the "Deposit");
- (2) HK\$2,200,000 shall be paid by the Purchaser to the Vendor at Completion in the manner provided in Clause 5.4(4); and
- (3) the balance of the Consideration of HK\$8,336,694 shall be paid by the Purchaser to the Vendor within 1 year after Completion.

3.4 Payment of the Consideration or any part thereof shall be made by the Purchaser delivering to the Vendor on the relevant due dates cheque drawn against a licenced bank in Hong Kong made payable to the Vendor for the relevant amount.

3.5 If the conditions set out in Clause 4.1 have not been satisfied on or before 4:00 pm 31 March 2007, or such later date as the Vendor and the Purchaser may agree as a result of the sole default of the Vendor or following the fulfillment of the conditions set out in Clause 4.1, the Vendor shall fail to complete the sale and purchase of the RS Sale Shares, the RS Debt, the UG Sale Shares and the UG Debt in accordance with the terms and conditions herein contained, the Vendor shall within 7 Business Days return the Purchaser, without interest, the Deposit paid to the Vendor by the Purchaser in cash.

3.6 If the conditions set out in Clause 4.1 have not been satisfied on or before 4:00 pm on 31 March 2007, or such later date as the Vendor and the Purchaser may agree otherwise than as a result of the sole default of the Vendor or following the fulfillment of the conditions set out in Clause 4.1, the Purchaser shall fail to complete the sale and purchase of the RS Sale Shares, the RS Debt, the UG Sale Shares and the UG Debt in accordance with the terms and conditions herein contained, the Vendor shall be entitled to forfeit the Deposit as liquidated damages.

4. CONDITIONS PRECEDENT

4.1 Completion is conditional upon:

- (1) the passing by the Independent Shareholders at a special general meeting of the Holding Company to be convened and held of an ordinary resolution to approve this Agreement and the transactions contemplated hereunder;
- (2) the passing by the Independent Shareholders at a special general meeting of the Holding Company to be convened and held of an ordinary resolution to approve the Supply Agreement and the transactions contemplated thereunder;

- (3) all necessary consents, authorizations, licences and approvals required to be obtained on the part of the Vendor in respect of this Agreement and the transactions contemplated hereunder having been obtained;
- (4) the Purchaser Warranties remaining true and accurate in all respects; and
- (5) the Other Agreement becoming unconditional (other than the condition that this Agreement becoming unconditional)

4.2 Each of the Vendor, the Purchaser and the Guarantor shall use his reasonable endeavours to procure the satisfaction of the conditions set out in Clause 4.1 and in particular, shall procure that all information and documents required pursuant to the Listing Rules, and other applicable rules, codes and regulations whether in connection with the preparation of all circulars, reports, documents, independent advice or otherwise are duly given promptly to the Vendor, Holding Company, the Stock Exchange, the SFC and other relevant regulatory authorities.

4.3 If the conditions set out in Clause 4.1 have not been satisfied on or before 4:00 pm on 31 March 2007, or such later date as the Vendor and Purchaser may agree, this Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

5. COMPLETION

5.1 Completion shall take place at 4:00 p.m. on the Completion Date at the office of the Vendor in Hong Kong at 13th Floor Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Hong Kong or such other time and place as the parties may mutually agree when completion of the Other Agreement shall take place simultaneously.

5.2 At Completion, the Vendor shall deliver or cause to be delivered to the Purchaser:

- (1) instruments of transfer and sold notes in respect of the transfer of the RS Sale Shares duly executed by the Vendor and BIL in favour of the Purchaser;
- (2) instruments of transfer and sold notes in respect of the transfer of the UG Sale Shares duly executed by the Vendor in favour of the Purchaser;
- (3) the original declaration of trust executed by BIL in respect of the 2 RS Shares;
- (4) original share certificates in respect of the RS Sale Shares and the UG Sale Shares;
- (5) such other documents as may be required to give good and effective transfer of title of the RS Sale Shares and UG Sale Shares to the Purchaser and to enable the Purchaser to become the registered and beneficial holders thereof free from all encumbrances;

- (6) the written resignation of all existing directors except Liang Jin You and Li Kwo Yuk, legal representatives and company secretary of each member of the RS Group with effect from the Completion Date together with a written acknowledgement under seal from each of them that he/she has no claims against the relevant member of the RS Group whether by way of compensation, remuneration, severance payments, expenses, damages or otherwise;
- (7) the written resignation of all existing directors except Liang Jin You and Li Kwo Yuk, legal representatives and company secretary of each member of the UG Group with effect from the Completion Date together with a written acknowledgement under seal from each of them that he/she has no claims against the relevant member of the UG Group whether by way of compensation, remuneration, severance payments, expenses, damages or otherwise;
- (8) the certificate of incorporation, the certificate of incorporation in change of name (if any), the current business registration certificate, common seal, rubber chop, minutes book, register of directors, register of members and transfer and share certificate book of each member of the RS Group and the UG Group, respectively;
- (9) all the statutory books, books of account, financial records and documents of and relating to each member of the RS Group and the UG Group, respectively, which are in the possession of the Vendor;
- (10) copy, certified as true and complete by a director of the Vendor, of resolutions of the board of directors of the Vendor approving this Agreement and (where applicable, copies, certified as true and complete by a director of the relevant member of the Vendor Group of its board resolutions approving the Debt Assignment) and authorising the execution of the same (under seal, where appropriate);
- (11) copy, certified by a director of the relevant member of the RS Group and the UG Group, respectively, as true and complete, of the resolutions of the board of directors of the relevant member of the RS Group and the UG Group, respectively, referred to in Clause 5.3;
- (12) copy, certified as true and complete by a director of the Vendor of:
 - (a) the enterprise legal person business licence (企業法人營業執照) of the RS Subsidiary and the UG Subsidiary, respectively, issued by the relevant municipal office of the governmental bureau of the PRC;
 - (b) approval certificate (批准證書) of the RS Subsidiary and the UG Subsidiary, respectively, issued by the relevant municipal office of the governmental bureau of the PRC;

- (c) tax registration for enterprises with foreign investment (外商投資企業稅務登記證), both national and local (國稅及地稅) of the RS Subsidiary and the UG Subsidiary, respectively, issued by the relevant tax authority in the PRC; and
- (d) certificate of organization identification code (組織機構代碼證) of the RS Subsidiary and the UG Subsidiary, respectively.

(13) the Supply Agreement duly executed by the Vendor RS and UG;

(14) the RS Debt Assignment duly executed under seal by the relevant members of Vendor Group and RS Group;

(15) the UG Debt Assignment duly executed under seal by the relevant members of Vendor Group and UG Group;

(16) RS Management Accounts as at Completion date showing the indebtedness of the RS Group to the relevant members of Vendor Group as at Completion Date within 2 months from Completion Date; and

(17) UG Management Accounts as at Completion date showing the indebtedness of the UG Group to the relevant members of Vendor Group as at Completion Date within 2 months from Completion Date.

5.3

- (1) The Vendor shall procure a meeting of the board of directors of the relevant member of the RS Group, to be held at which resolutions shall be passed for:
 - (a) in the case of Royal Success, the approval for the transfer of the RS Sale Shares to the Purchaser (or its nominees) and the registration of such transfer, subject to the relevant instruments of transfer being duly stamped and presented for registration;
 - (b) the acceptance of the resignation of all existing directors except Liang Jin You and Li Kwo Yuk, legal representatives and company secretary of the RS Group and the appointment of the such persons nominated by the Purchaser as directors, legal representatives and company secretary of the relevant member of the RS Group with effect from Completion;
 - (c) the amendment of all existing mandates for operation of all the bank accounts maintained by the RS Group in such manner as the Purchaser may require; and
 - (d) in the case of Royal Success, the approval of the Supply Agreement and the RS Debt Assignment and authorization of a person to sign the same on behalf of Royal Success.

- (2) The Vendor shall procure a meeting of the board of directors of the relevant member of the UG Group, to be held at which resolutions shall be passed for:
 - (a) in the case of Ultra Good, the approval for the transfer of the UG Sale Shares to the Purchaser (or its nominees) and the registration of such transfer, subject to the relevant instruments of transfer being duly stamped and presented for registration;
 - (b) the acceptance of the resignation of all existing directors except Liang Jin You and Li Kwo Yuk, legal representatives and company secretary of the UG Group and the appointment of the such persons nominated by the Purchaser as directors, legal representatives and company secretary of the relevant member of the UG Group with effect from Completion;
 - (c) the amendment of all existing mandates for operation of all the bank accounts maintained by the UG Group in such manner as the Purchaser may require; and
 - (d) in the case of Ultra Good, the approval of the Supply Agreement and the UG Debt Assignment and authorization of a person to sign the same on behalf of Ultra Good.

5.4 At Completion, the Purchaser shall:

- (1) produce instruments of transfer and bought notes in respect of the RS Sale Shares and the UG Sale Shares duly executed by the Purchaser and shall procure stamping of the same;
- (2) deliver to the Vendor a copy, certified as true and complete by a director of the Purchaser, of resolutions of the board of directors of the Purchaser approving this Agreement and Debt Assignment and all documents required to be signed or delivered on Completion and authorising the execution of the same;
- (3) procure the delivery of the written consents of all proposed directors, legal representatives and company secretary of each member of the RS Group and the UG Group, respectively, to be appointed with effect from the Completion Date;
- (4) pay to the Vendor the balance of the Consideration referred to in Clause 3.3(2);
- (5) deliver to the Vendor the Share Charge and the relevant documents as stipulated in the Share Charge duly executed by the Purchaser and the relevant parties;
- (6) deliver to the Vendor the Deed of Non-Competition Undertaking duly executed by the Guarantor;

(7) deliver to the Vendor the Supply Agreement duly executed by Royal Success and Ultra Good; and

(8) deliver to the Vendor the Debt Assignment duly executed by the Purchaser.

6. RESTRICTION ON ANNOUNCEMENTS

6.1 Each of the parties undertakes to the other that it will not, at any time after the date of this Agreement, divulge or communicate to any person other than to its professional advisers, or when required by law or any rule of any relevant stock exchange body, or to its respective officers or employees whose province it is to know the same any confidential information concerning the business, accounts, finance or contractual arrangements or other dealings, transactions or affairs of any of the others which may be within or may come to its knowledge and it shall use its best endeavours to prevent the publication or disclosure of any such confidential information concerning such matters.

6.2 No public announcement or communication of any kind shall be made in respect of the subject matter of this Agreement unless specifically agreed between the parties or unless an announcement is required pursuant to the applicable law and the regulations or the requirements of the Stock Exchange, SFC or any other regulatory body or authority. Any announcement by any party required to be made pursuant to any relevant law or regulation or the requirements of the Stock Exchange, SFC or any other regulatory body or authority shall be issued only after such prior consultation with the other party as is reasonably practicable in the circumstances.

7. WARRANTIES

7.1 The Vendor hereby represents and warrants to the Purchaser that the Vendor Warranties are true and correct in all material respects at the date of signing of this Agreement and that the Vendor Warranties shall survive Completion.

7.2 The Vendor hereby agrees that each of the Vendor Warranties shall be construed as a separate and independent representation and warranty and, except where expressly otherwise stated, no provision in any Vendor Warranties shall govern or limit the extent or application of any other provision in any Vendor Warranties.

7.3 The Purchaser hereby represents and warrants to the Vendor that the Purchaser Warranties are true and correct in all material respects at the date of signing of this Agreement and that the Purchaser Warranties shall survive Completion.

7.4 The Purchaser hereby agrees that each of the Purchaser Warranties shall be construed as a separate and independent representation and warranty and, except where expressly otherwise stated, no provision in any Purchaser Warranties shall govern or limit the extent or application of any other provision in any Purchaser Warranties.

8 GUARANTOR'S GUARANTEE

- 8.1 The Guarantor hereby unconditionally and irrevocably undertakes to the Vendor to procure the due and punctual performance by the Purchaser of all the obligations expressed to be imposed on or assumed by it under this Agreement and undertakes to indemnify and keep effectively indemnified the Vendor (if necessary by the payment of cash on first demand) against all liabilities, losses, damages, costs and expenses stipulated under this Agreement or otherwise which the Vendor may suffer or incur in connection with any default or delay on the part of the Purchaser in the performance of such obligations.
- 8.2 As a separate and independent stipulation it is agreed by the Guarantor that any obligations and undertakings under this Clause 8 which may not be enforceable or becomes unenforceable against the Guarantor on the footing of a guarantee, whether by reason of any legal limitation, disability or incapacity on or of the Purchaser or any other fact or circumstances or other event and whether or not known to the Vendor shall nevertheless be enforceable against the Guarantor as sole or principal obligor in respect thereof.
- 8.3 Subject to Clause 8.5, the Guarantor shall not be discharged or released from its obligation under this Clause by any arrangement made between the other parties or by any alteration in the obligations on the part of either the Purchaser or the Guarantor under this Agreement or by any time or other indulgence granted by the Vendor.
- 8.4 The obligations and liabilities of the Guarantor under this Agreement are of continuing nature and shall not be discharged or affected by the dissolution, amalgamation, reconstruction or reorganisation of or the change in constitution or control of any parties to this Agreement.
- 8.5 Without prejudice to the other provisions of this Agreement, the obligations and undertakings expressed to be assumed by or imposed on the Guarantor under this Agreement shall remain in force so long as the Purchaser shall have any liability or obligations to be discharged in full.
- 8.6 The Guarantor hereby waives any rights to require a proceeding first against the Purchaser or any other person.

9. FURTHER ASSURANCE

- 9.1 Each of the parties hereto shall at the cost of the other party execute, do and perform or procure to be executed, done and performed by other necessary parties all such further acts, agreements, assignments, assurances, deeds and documents as the requesting party may reasonably require to give legal effect to the provisions of this Agreement and pending the dating, executing and making of such acts, agreements, assignments, assurances, deeds and documents, the Vendor shall hold all the rights of, title to, benefits to and interests in the RS Sale Shares, the RS

Debt, the UG Sale Shares and the UG Debt on trust for the Purchaser immediately after the Completion.

- 9.2 The Guarantor hereby acknowledges the sale and purchase of the RS Sale Shares, the RS Debt, the UG Sale Shares and the UG Debt in the manner provided in this Agreement and shall, at the Purchaser's costs and expenses, execute, do and perform or procure to be executed, done and performed by other necessary parties all such further acts, agreements, assignments, assurances, deeds and documents as the Vendor may require.

10. NOTICES

- 10.1 Each notice, demand or other communication given, made or serve under this Agreement shall be in writing and delivered or sent to the relevant party by prepaid postage (by airmail if to another country), facsimile transmission or personal delivery to its address or fax number as set out below (or such other address or fax number as the addressee has by five (5) days' prior written notice specified to the other party):

To the Vendor: Artfield Company Limited

Address : 13th Floor, Universal Industrial Centre,
19-21 Shan Mei Street, Fo Tan, Hong
Kong

Fax Number : (852) 2687 1100

Attention : Board of directors

To the Purchaser: Merry Crest Management Limited

Address : 13th Floor, Universal Industrial Centre,
19-21 Shan Mei Street, Fo Tan, Hong
Kong

Fax Number : (852) 2687 1100

Attention : Mr. Liang Jin You

To the Guarantor: Mr. Liang Jin You

Address : 13th Floor, Universal Industrial Centre,
19-21 Shan Mei Street, Fo Tan, Hong
Kong

Fax Number : (852) 2687 1100

- 10.2 Each notice, demand or other communication given, made or serve under this Agreement shall be deemed to have been given and received by the relevant party (i) within two (2) days after the date of posting, if sent by local mail; four (4) days

after the date of posting, if sent by airmail; (ii) when delivered, if delivered by hand; and (iii) on dispatch, if sent by facsimile transmission.

11. **TIME AND NO WAIVER**

Time shall in every respect be of the essence of this Agreement but no failure on the part of any party hereto to exercise, and no delay on its part in exercising any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise of it or the exercise of any other right(s) or prejudice or affect any right(s) against any other parties hereto under the same liability, whether joint, several or otherwise. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

12. **AMENDMENTS**

This Agreement shall not be amended, supplemented or modified except by instruments in writing signed by each of the parties hereto.

13. **ASSIGNMENT**

This Agreement shall be binding on and enure to the benefit of each party hereto and its respective successors and permitted assigns provided that none of the parties hereto shall assign or transfer or purport to assign or transfer any of its rights or obligations hereunder without the prior written consent of the other parties.

14. **ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement between the parties hereto with respect to the matters dealt with herein and supersedes any previous agreements, arrangements, statements or transactions between the parties hereto in relation to the subject matters hereof.

15. **COSTS AND STAMP DUTY**

15.1 The Vendor and the Purchaser shall be responsible for the legal costs and expenses incurred in connection with the preparation, negotiation, execution and performance of this Agreement and all documents incidental or relating to Completion in equal shares. Save for such legal costs and expenses, each party shall bear its own costs and expenses incurred in connection with the preparation, negotiation, execution and performance of this Agreement and all documents incidental or relating to Completion.

15.2 All stamp duty (if any) payable in respect of the sale and purchase of the RS Sale Shares and UG Sale Shares shall be borne by the Vendor and the Purchaser in equal shares.

16. **GOVERNING LAW AND JURISDICTION**

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

16.2 The parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong.

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

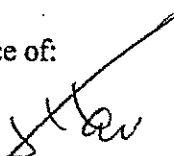
THE VENDOR

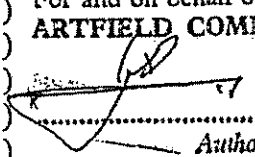
SIGNED by LIANG JIN YOU

for and on behalf of

ARTFIELD COMPANY LIMITED

in the presence of:



)
) For and on behalf of
) **ARTFIELD COMPANY LIMITED**
)
) 
)
) *Authorized Signature(s)*
)

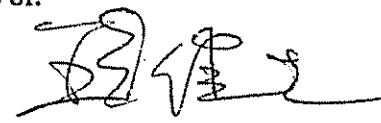
THE PURCHASER


SIGNED by LIANG JIN YOU

for and on behalf of

MERRY CREST MANAGEMENT LIMITED

in the presence of:



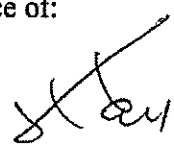
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) **MERRY CREST MANAGEMENT LIMITED**
) 怡峰管理有限公司
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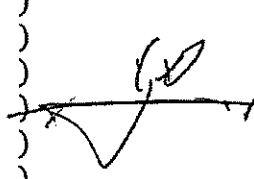
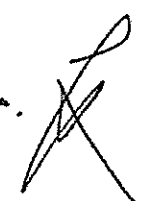
THE GUARANTOR

SIGNED as a DEED by

LIANG JIN YOU

in the presence of:



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SCHEDULE 1

DETAILS OF ROYAL SUCCESS

Company name: Royal Success Enterprises Limited (成豐企業有限公司)

Place of incorporation: Hong Kong

Company no.: 0665372

Date of incorporation: 20 January 1999

Registered office: 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong

Authorised capital: HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each

Issued capital: 4 ordinary shares of HK\$1 each

Shareholder(s): the Vendor 2 shares
BIL holds on trust for the Vendor 2 shares

Director(s): Liang Jin You
Li Kwo Yuk

Nature of business: Investment holding

SCHEDULE 2

DETAILS OF RS SUBSIDIARY

Company name: Artfield Industries (Foshan) Limited 雅域實業(佛山)有限公司

Place of establishment: PRC

Date of establishment: 20 July 1999

Approval Certificate No.: 廣東省人民政府外經貿証字[1999]0006號

Enterprise Legal Person Business Licence No. 企獨粵深總字第 [001799]號

Legal Address: Haojing Road, Side of Shanzhoujia Road Gaoming District, Foshan, the PRC 中(國廣東省佛山市高明區三洲濠景路)

Registered capital: HK\$8,000,000

Total Investment: HK\$11,000,000

Shareholder(s) and (shareholdings in %): Royal Success Enterprises Limited

Legal representative: Liang Jin You 梁金友

Director(s): Liang Jin You
Li Kwo YukOu Jian ShengLeung Kin Yau

Financial year end 31 December

Principal activities: Manufacturing of wooden products

Property Occupied by the Subsidiary A factory complex located at Haojing Road, Side of Shanzhoujia Road Gaoming District, Foshan, the PRC

SCHEDULE 3

DETAILS OF ULTRA GOOD

Company name: Ultra Good Electroplating Limited (特佳電鍍有限公司)

Place of incorporation: Hong Kong

Company no.: 0306269

Date of incorporation: 23 April 1991

Registered office: 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong

Authorised capital: HK\$4,000,000 divided into 4,000,000 shares of HK\$1 each

Issued capital: 4,000,000 ordinary shares of HK\$1 each

Shareholder(s): Artfield Company Limited 3,190,000 shares
Fu Chang Trading Limited 810,000 shares

Director(s): Liang Jin You
Li Kwo Yuk
Leung Kin Yau
Deng Ju Neng

Nature of business: Investment holding

SCHEDULE 4

DETAILS OF RS SUBSIDIARY

Company name: Ultra Good Electroplating Surface Finishing (Shenzhen) Company Limited (特佳電鍍表面處理(深圳)有限公司)

Place of establishment: PRC

Date of establishment: 27 August 1993

Approval Certificate No.: 商資 深外資證 字[1993] 0640號

Enterprise Legal Person Business Licence No. 企獨粵深總字第 [302083] 號

Legal Address: Dahuangshan Village, Shajing Town, Baoan District, Shenzhen, the PRC (國廣東省深圳寶安區沙井鎮大王山村)

Registered capital: US\$600,000

Total Investment: US\$800,000

Shareholder(s) and (shareholdings in %): Ultra Good Electroplating Limited

Legal representative: Liang Jin You

Director(s): Liang Jin You
Li Kwo YukOu Jian ShengLeung Kin Yau
Deng Ju Neng

Financial year end 31 December

Principal activities: Provision of electroplating services

Property Occupied by the Subsidiary A factory complex, located at Dahuangshan Village, Shajing Town, Baoan District, Shenzhen, the PRC.

SCHEDULE 5

THE VENDOR WARRANTIES

1. The Vendor is the beneficial owner of RS Sale Shares, the RS Debt, UG Sale Shares and the UG Debt;
2. The RS Sale Shares and UG Sale Shares are free and clear of any lien, charge or encumbrance whatsoever and the RS Group and/or the UG Group has not exercised any lien over any of its issued Shares and there is no outstanding call on any of the RS Sale Shares and the UG Sale;
3. The RS Debt and UG Debt are free and clear of any lien, charge or encumbrance whatsoever;
4. The Vendor has full power and authority to enter into and perform this Agreement and the provisions of this Agreement, when executed, will constitute valid and binding obligations on the Vendor in accordance with its terms;
5. The execution and delivery of, and the performance by the Vendor of its obligations under, this Agreement will not result in a breach of any order, judgment or decree of any court or governmental agency to which the Vendor is a party or by which it is bound;
6. At Completion, the RS Debt and the UG Debt will not exceed 10% or fall below more than 10% of their respective amounts as at Accounts Date.

SCHEDULE 6

THE PURCHASER WARRANTIES

1. The Purchaser is duly incorporated and is validly existing under the laws of its place of incorporation.
2. The Purchaser has full power and authority to enter into and perform this Agreement and the provisions of this Agreement, when executed, will constitute valid and binding obligations on the Purchaser in accordance with its terms.
3. The execution and delivery of, and the performance by the Purchaser of its obligations under, this Agreement will not result in a breach of any order, judgment or decree of any court or governmental agency to which the Purchaser is a party or by which it is bound.

SCHEDULE 7

THE RS MANAGEMENT ACCOUNTS

Royal Success Enterprises Limited Management accounts as at 30/9/2006 (Consolidated)	RMB	0.9849			
	Royal Success Enterprises Limited	Artfield Industries (Gao Ming) Limited		Consol. Adjustment	RS Sub-group
Balance Sheet	HK\$	RMB	HK\$	HK\$	HK\$
Cash on hand	-	-	-		-
Bank balances	33,605	1,098,068	1,081,487		1,115,093
Accounts receivable	-	-	-		-
Allowance for doubtful accounts - accounts receivable	-	-	-		-
Others receivable	-	501,672	494,097		493,097
Deposits and prepayments	500	1,475,868	1,453,583		1,454,083
Inventory	-	8,824,473	8,691,323		8,691,223
Provision for inventory	-	-	-	(2,000,000)	(2,000,000)
Tax receivable	3,879	-	-		3,879
Amounts due from fellow-sub	2,944,797	-	-		2,944,797
Amounts due from subsidiaries	1,830,423	-	-		1,830,423
Amounts due from immediate holding co.	-	-	-		-
Total current assets:	4,815,205	11,900,681	11,720,390		14,535,595
Property, plant and equipment (cost)	400,194	21,314,044	20,993,202		21,392,396
Accumulated depreciation - PPE	(204,051)	(8,295,793)	(8,170,526)		(8,374,577)
Construction in progress	-	-	-		-
Prepaid lease payments	-	5,938,360	5,848,691		5,848,691
Accumulated amortization - Prepaid lease pay'ts	-	(558,489)	(550,056)		(550,056)
Investment in subsidiaries	8,000,000	-	-	(8,000,000)	-
Total non-current assets:	8,196,143	18,398,122	18,120,311		18,316,454
Total Assets:	13,011,348	30,298,204	29,840,701		32,852,049
Accounts payable	-	(3,130,293)	(3,083,025)		(3,083,025)
Others payable	-	(71,203)	(70,126)		(70,126)
Accrued expenses	(19,500)	(865,409)	(852,341)		(871,841)
Tax payable	-	(4,034)	(3,973)		(3,973)
Short term loans payable	-	(15,000,000)	(14,773,500)		(14,773,500)
Obligation under finance lease - short term	(59,499)	-	-		(59,499)
Amounts due to fellow-sub	(11,832,385)	-	-		(11,832,385)
Amounts due to immediate holding co	-	(2,757,590)	(2,715,951)		(2,715,951)
Dividend payables	-	-	-		-
Total current liabilities:	(11,911,384)	(21,828,527)	(21,498,916)		(13,410,300)
Obligation under finance lease - Long Term portion	(104,123)	-	-		(104,123)
Deferred tax liabilities	(31,947)	-	-		(31,947)
Total non-current liabilities:	(136,070)	-	-		(136,070)
Total Net Assets	963,894	8,469,677	8,341,785		(694,321)
Share capital	(4)	(8,509,500)	(8,027,830)	8,027,830	(4)
Translation reserves	-	-	(235,735)	(25,634)	(261,570)
Assets revaluation reserves	-	-	-		-
(Profit) / loss for the year	(15,568)	1,034,405	1,038,483		1,022,915
Retained earnings b/f	(948,312)	(1,014,582)	(1,016,702)	1,998,004	32,980
Reserve and enterprise expansion funds	-	-	-		-

Royal Success Enterprises Limited
Management accounts as at 30/9/2006
(Consolidated)

RMB

0 9849

	Royal Success Enterprises Limited	Artfield Industries (Gao Ming) Limited	Consol. Adjustment	RS Sub-group
	HKS	RMB	HKS	HKS
Balance Sheet				
Total shareholders' equities:	(963,894)	(8,469,677)	(8,341,785)	694,331
Minority interest	-	-	-	-
Total liabilities and shareholders' equities:	(13,011,348)	(30,298,204)	(29,840,701)	(31,852,049)
Profit and Loss Statement				
	-	-	(0)	(0)
Sales Revenues	(6,675,295)	(7,415,372)	(7,303,400)	(6,675,295)
Sales discounts	-	-	-	-
Sales returns	-	-	-	-
Total Sales Turnover	(6,675,295)	(7,415,372)	(7,303,400)	(6,675,295)
Cost of goods sold and service provided	6,555,907	7,102,683	6,995,432	6,247,939
Gross Profit:	(119,388)	(312,690)	(307,968)	(427,356)
Gross Profit: Ratio	1.79%	4.23%	4.22%	6.40%
Bank Interest Income	(423)	(9,140)	(9,002)	(9,425)
Interest income	-	-	-	-
Dividends income	-	-	-	-
Gains on disposals of PPE	-	-	-	-
Gains on disposals of associates	-	-	-	-
Exchange gains	-	-	-	-
Management fee income	-	-	-	-
Rental income	-	-	-	-
Sundry income	-	(24,759)	(24,386)	(24,386)
Bad debt recovery	-	-	-	-
Other revenues: sub-total	(423)	(35,899)	(33,387)	(33,810)
Selling and distribution expenses:	-	58,210	57,331	57,331
Administrative expenses:	101,413	969,391	954,753	1,056,166
(Profit) / loss from operation:	(18,399)	681,013	670,739	652,331
Finance costs	3,831	373,393	367,754	370,585
Other operating expenses	-	-	-	-
Dividend paid	-	-	-	-
(Gain) / loss on disposal of Subsidiaries/associates	-	-	-	-
(Profit) / loss before taxation:	(15,568)	1,054,405	1,038,483	1,022,915
Taxation	-	-	-	-
(Profit) / loss before minority:	(15,568)	1,054,405	1,038,483	1,022,915
Minority interests	-	-	-	-
(Profit) / loss for the year:	(15,568)	1,054,405	1,038,483	1,022,915

SCHEDULE 8

THE UG MANAGEMENT ACCOUNTS

Ultra Good Electroplating Limited Management accounts as at 30/9/2006 (Consolidated)	RMB	0.9849		
	Electroplating Limited	Surface Finishing (Shenzhen) Co Ltd	Consol Adjustment	UGL Sub- group
Balance Sheet	HK\$	RMB	HK\$	HK\$
Cash on hand	3,000	82,678	81,430	84,430
Bank balances	176,867	223,472	220,098	396,965
Accounts receivable	1,809,786	12,670	12,478	1,822,265
Allowance for doubtful accounts - accounts re	(145,034)	(339)	(334)	(145,368)
Others receivable	4,838	173,981	171,354	176,191
Deposits and prepayments	500	42,287	41,649	42,149
Inventory	-	1,923,137	1,894,098	1,894,098
Provision for inventory	-	-	-	-
Tax receivable	-	-	-	-
Amounts due from fellow-sub.	-	-	-	-
Amounts due from subsidiaries	3,262,603	-	-	(1,259,911)
Amounts due from immediate holding co.	-	-	-	-
Total current assets:	5,112,560	2,457,886	2,420,772	6,273,420
Property, plant and equipment (cost)	44,762	18,173,058	17,898,645	17,943,407
Accumulated depreciation - PPE	(31,728)	(10,776,517)	(10,613,791)	(10,645,520)
Construction in progress	-	-	-	-
Prepaid lease payments	-	2,118,091	2,086,107	2,086,107
Accumulated amortization - Prepaid lease pay ¹	-	(391,520)	(385,608)	(385,608)
Investment in subsidiaries	4,711,273	-	-	(4,711,273)
Total non-current assets:	4,724,306	9,123,112	8,985,353	8,998,386
Total Assets:	9,836,866	11,580,998	11,406,125	15,271,807
Accounts payable	(269,149)	(366,403)	(360,870)	(630,019)
Others payable	(387,821)	(15,989)	(15,748)	(403,569)
Accrued expenses	(87,398)	(308,489)	(303,831)	(391,229)
Tax payable	(905,735)	(213,104)	(209,887)	(1,115,622)
Short term loans payable	-	-	-	-
Obligation under finance lease - short term	-	-	-	-
Amounts due to fellow-sub.	(1,793,376)	-	-	(1,793,376)
Amounts due to immediate holding co.	-	(2,830,673)	(2,787,930)	1,367,293
Dividend payables	(1,012,500)	-	-	(1,012,500)
Total current liabilities:	(4,455,979)	(3,734,659)	(3,678,266)	(6,766,952)
Obligation under finance lease - Long Term po	-	-	-	-
Deferred tax liabilities	(137)	-	-	(137)
Total non-current liabilities:	(137)	-	-	(137)
Total Net Assets	5,380,750	7,846,339	7,727,859	8,504,718
Share capital	(4,000,000)	(4,994,784)	(4,712,062)	4,712,062
Translation reserves	-	-	(352,416)	119,092
Assets revaluation reserves	-	-	-	-
(Profit) / loss for the year	(2,592,145)	1,795,368	1,768,258	(823,887)
Retained earnings b/f	1,211,393	(4,646,923)	(4,431,639)	(227,263)
Reserve and enterprise expansion funds	-	-	-	-

THE UG MANAGEMENT ACCOUNTS

Ultra Good Electroplating Limited Management accounts as at 30/9/2006 (Consolidated)	RMB	0.9849			
	Electroplating Limited	Surface Finishing (Shenzhen) Co Ltd	Consol Adjustment	UGL Sub- group	
Balance Sheet	HK\$	RMB	HK\$	HK\$	HK\$
Total shareholders' equities:	(5,380,750)	(7,846,339)	(7,727,859)		(8,504,718)
Minority Interest	-	-	-		-
Total liabilities and shareholders' equities:	(9,836,866)	(11,580,998)	(11,406,125)		(15,271,806)
Profit and Loss Statement					
	U	-	U		U
Sales Revenues	(6,547,021)	(3,964,661)	(3,904,795)	4,162,132	(6,289,684)
Sales discounts	19,194	-	-		19,194
Sales returns	510,610	-	-		510,610
Total Sales Turnover	(6,017,217)	(3,964,661)	(3,904,795)		(5,759,880)
Cost of goods sold and service provided	4,378,249	2,780,336	2,738,353	(4,162,132)	2,954,471
Gross Profit:	(1,638,968)	(1,184,325)	(1,166,441)		(2,805,410)
Gross Profit: Ratio	27.24%	29.87%	29.87%		48.71%
Bank interest income	(57)	(1,640)	(1,615)		(1,672)
Interest income	-	-	-		-
Dividends income	(1,969,800)	-	-	1,969,800	-
Gains on disposals of PPE	-	-	-		-
Gains on disposals of associates	-	-	-		-
Exchange gains	(911)	-	-		(911)
Management fee income	-	-	-		-
Rental income	-	-	-		-
Sundry income	(50,379)	-	-		(50,379)
Bad debt recovery	-	-	-		-
Other revenues:	sub-tota (2,021,148)	(1,640)	(1,615)		(52,963)
Selling and distribution expenses:	-	14,161	13,947		13,947
Administrative expenses:	1,085,370	948,604	934,280		2,019,650
(Profit) / loss from operation:	(2,574,746)	(223,199)	(219,829)		(824,775)
Finance costs	-	-	-		-
Other operating expenses	-	-	-		-
Dividend paid	-	2,000,000	1,969,800	(1,969,800)	-
(Gain) / loss on disposal of Subsidiaries/associ	-	-	-		-
(Profit) / loss before taxation:	(2,574,746)	1,776,801	1,749,971		(824,775)
Taxation	(17,399)	18,568	18,287		888
(Profit) / loss before minority:	(2,592,145)	1,795,368	1,768,258		(823,887)
Minority interests	-	-	-		-
(Profit) / loss for the year:	(2,592,145)	1,795,368	1,768,258		(823,887)