

Dated 24 January 2011

北京誠達順逸商貿有限公司
and
KAYUAN ENTERPRISE INVESTMENT CO., LTD.
as Vendors

AND

POLYWELL FINANCE CORPORATION
as Purchaser

Sale and Purchase Agreement
in relation to the entire equity interest in
廣東暢流投資有限公司

Messrs. Keith Lam Lau & Chan
Solicitors & Notaries,
5th - 7th Floors
The Chinese Club Building,
21-22 Connaught Road Central,
Central, Hong Kong
Ref: 6168/10/MC

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THIS AGREEMENT is made on the 24 day of January 2011

BETWEEN:-

- (1) 北京誠達順逸商貿有限公司 ("Beijing Chengda"), a company incorporated with limited liability in the People's Republic of China having its registered office at 北京市东城区东直门外大街 46 号天恒大厦 2606 室; KAYUAN ENTERPRISE INVESTMENT CO., LTD. ("KEI"), a company incorporated with limited liability in the Marshall Islands having its registered office situated at P.O.Box 1405 Majuro Marshall Islands (collectively, the "Vendors" and "Vendor" means any one of them); and
- (2) POLYWELL FINANCE CORPORATION, a company incorporated with limited liability in the British Virgin Islands having its registered office at Trident Chambers, P.O.Box 146, Road Town, Tortola, British Virgin Islands (the "Purchaser").

(The Vendors and the Purchaser shall collectively be referred to as "Parties" and "Party" means any one of them.)

WHEREAS:-

- (A) On 6 September 2010, (i) Beijing Chengda as buyer; and (ii) Mr. Zheng and Mr. Zhou as sellers, entered into an agreement in relation to the acquisition of 75% equity interest in Guangdong Changliu, such agreement was subsequent amended pursuant to a supplemental agreement made between the same parties dated 8 December 2010 (collectively, the "Initial Acquisition Agreement").
- (B) Guangdong Changliu is the legal and beneficial owner of the Property.
- (C) Upon completion of the Reorganization, (i) the entire equity interest of Guangdong Changliu will be owned as to 75% by HK Holding and as to 25% by KEI; (ii) the entire issued share capital of HK Holding will be owned by BVI Holding; and (iii) Beijing Chengda will own the entire issued share capital of BVI Holding.
- (D) The Purchaser is a wholly-owned subsidiary of New City.
- (E) The Purchaser is desirous to acquire the legal and beneficial ownership of the Property by acquiring the entire equity interest in Guangdong Changliu through the acquisition of the Entire Issued Share Capital of BVI Holding from Beijing Chengda and the acquisition of 25% Equity Interest of Guangdong Changliu from KEI.
- (F) As at the date of this Agreement, there exists a loan owing by Guangdong Changliu to 中国银行股份有限公司广州开发区分行 pursuant to the 《人民币借款合同（长期）》 (RMB Loan Agreement (Long-term)) dated 31 July 2006 which (inclusive of all interest accrued thereon), as at 30 September 2010, was in the amount of RMB35,360,000 (the "BOC Loan").

NOW IT IS HEREBY AGREED as follows:-

1. **DEFINITIONS AND INTERPRETATION**

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

- "Acquisition"** the acquisition by the Purchaser of the Entire Issued Share Capital of BVI Holding from Beijing Chengda and the acquisition by the Purchaser of 25% Equity Interest of Guangdong Changliu from KEI under this Agreement;
- "BOC Loan"** has the meaning ascribed to it in the recital;
- "business day"** a day on which banks are generally open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m. on weekdays);
- "BVI Holding"** the company to be incorporated with limited liability in the British Virgin Islands (and its entire issued share capital will be owned by Beijing Chengda) which will, upon completion of the Reorganization, directly own 100% of the issued share capital in HK Holding;
- "Completion"** the completion of the sale and purchase of the Sale Shares pursuant to this Agreement and in accordance with Clause 6;
- "Completion Date"** the date on which completion of the sale and purchase of the Sale Shares takes place as mentioned in Clause 6.1;
- "Conditions Precedent"** the conditions precedent set out in Clause 2.1;
- "Consideration"** the consideration payable for the Sale Shares in accordance with Clause 4, being the aggregate consideration for the sale and purchase of the Sale Shares;
- "Encumbrance"** encumbrances of whatsoever nature, including but not limited to any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, priority or security interest, deferred purchase, title retention, leasing, sale-and-

repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights and includes any agreement for any of the same and "Encumber" shall be construed accordingly.

"Entire Issued Share Capital of BVI Holding"

all the issued share(s) in the share capital of BVI Holding legally and beneficially owned by Beijing Chengda, representing the entire issued share capital of BVI Holding as at the Completion Date as more particularly described in Schedule 1 Part I;

"Financial Indebtedness"

any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any acceptance credit (including any dematerialised equivalent);
- (c) any bond, note, debenture, loan stock or other similar instrument;
- (d) any redeemable preference share;
- (e) any agreement treated as a finance or capital lease in accordance with generally accepted accounting principles in the jurisdiction of incorporation of the company;
- (f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (g) any derivative transaction protecting against or benefiting from fluctuations in any rate or price (and, except for non-payment of an amount, the then mark to market value of the derivative transaction will be used to calculate its amount);
- (h) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing;
- (i) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; or
- (j) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in the above paragraphs.

"Guangdong Changliu"

广东畅流投资有限公司, a company incorporated with limited liability in the PRC having its registered office at 广州市萝岗区广州经济技术开发区科学城彩频路 11 号 316 室;

"Guangdong Changliu NAV"

the net asset value of Guangdong Changliu as accurately reflected in its accounts prepared

	according to the generally accepted accounting principles in Hong Kong;
"Guangdong Changliu Receivables"	all the account receivables of Guangdong Changliu (including trade receivables, other receivables and due from shareholders) as accurately reflected in its books and accounts prepared according to the generally accepted accounting principles in Hong Kong;
"HK\$"	Hong Kong Dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"HK Holding"	the company to be incorporated with limited liability in Hong Kong (and its entire issued share capital will be owned by BVI Holding) which will, upon completion of the Reorganization, directly owns 75% of the entire equity interest in Guangdong Changliu;
"Initial Acquisition Agreement"	has the meaning ascribed to it in the recital;
"Long Stop Date"	the 180 th day after the date of this Agreement or such later date as the Parties may agree in writing;
"Management Accounts"	the management accounts of the Target Group Companies made up to 30 September 2010, a copy of which is attached in Schedule 4;
"Management Accounts Date"	30 September 2010;
"Mr. Zheng"	郑宝华 (Holder of PRC identity card no.: 440105490127002 of 广州市新港西路 135 号西南区 75 号之 4 二楼);
"Mr. Zhou"	周锡权 (Holder of PRC identity card no.: 510103196910283532) of 广州市北较场横路 16 号;
"New City"	New City (China) Development Limited (a company listed on the Stock Exchange, stock code: 456);
"New Loan"	the loan(s) in the aggregate principal sum of RMB160,000,000 to be obtained by Guangdong Changliu pursuant to Clause 5.1(ii);
"PRC"	the People's Republic of China, which, for the

purpose of this announcement, shall exclude Hong Kong, Macau Special Administration Region of the PRC and Taiwan;

"Property"	the lands and properties situated at 广州市海珠区新港中路赤岗西路 20-22 号大院内 including its corresponding leasehold improvement (which have been numbered 1, 2, 3, 4, 6, 7, 8, 9, 10, 12, 13, 14, 15, 16 and 17 (total: 15 buildings), the total factory buildings construction area (厂房总建筑面积) is 45218.1252 square meters, and the total area of land (用地) is 27080.54 square meters, the details of which are set out in Part II of Schedule 2;
"Reorganization"	the reorganization of the equity interest and shareholding structure of Guangdong Changliu, upon completion of which, (i) the entire equity interest of Guangdong Changliu will be owned as to 75% by HK Holding and as to 25% by KEI; (ii) the entire issued share capital of HK Holding will be owned by BVI Holding; and (iii) the entire issued share capital of BVI Holding will be owned by Beijing Chengda;
"Representative"	, with respect to a particular Party, any of its director, officer, employee, agent, advisor or other representative of such Party;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	the Entire Issued Share Capital of BVI Holding and 25% Equity Interest of Guangdong Changliu;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Taxation"	all forms of tax, levy, duty, charge, fee, deduction or withholding of any nature now or hereafter imposed, levied, collected, withheld or assessed by any taxing or other authority in any part of the world and includes any interest, additional tax, provisional tax, penalty or other charges payable or claimed in respect thereof;
"Target Group Companies"	BVI Holding, HK Holding, and Guangdong Changliu, and "Target Group Company" means any one of them;
"Warranty"	each of the representations, warranties and undertakings set out in Clause 7 and Schedule 3;
"USD"	United States dollars, the lawful currency of the United States of America;

“25% Equity Interest of Guangdong Changliu ” 25% of the entire equity interest of Guangdong Changliu (equivalent to its RMB10,000,000 registered capital) legally and beneficially owned by KEI as at the Completion Date as more particularly described in Schedule I Part II;

“%” per cent.

- 1.2 The headings to the Clauses of this Agreement are for ease of reference only and shall be ignored in interpreting this Agreement.
- 1.3 References to Clauses and Schedules are references to the clauses of and schedules to this Agreement.
- 1.4 Words denoting the singular number shall include the plural and words denoting one gender shall include every other gender or neuter and vice versa.
- 1.5 References to ordinances, statutes, legislation or enactments shall be construed as a reference to such ordinances, statutes, legislation or enactments as may be amended or re-enacted from time to time and for the time being in force.
- 1.6 References to a person shall be construed as including references to an individual, corporation, firm, partnership, consortium, joint venture, association, organization, unincorporated body of persons or trust (in each case, whether or not having separate legal personality).

2. CONDITIONS PRECEDENT

- 2.1 Completion of this Agreement shall be conditional upon fulfillment of the followings:-
 - (a) the Reorganization having been completed;
 - (b) Guangdong Changliu has obtained the foreign invested enterprises approval certificate which approved the acquisition of 75% equity interest in Guangdong Changliu by HK Holding;
 - (c) the due diligence result of the Target Group Companies is satisfactory to the Purchaser;
 - (d) Guangdong Changliu has disposed of all its fixed assets (save and except the Property) by selling, assigning or otherwise transferring all such fixed assets to Beijing Zhengda (or person nominated by it) at RMB1 (Renminbi one) each;
 - (e) the Vendors' provision of a written legal opinion issued by a PRC legal advisor in the form acceptable to the Purchaser, which confirms, inter alia, that (i) the Property is legally and beneficially owned by Guangdong Changliu free from any Encumbrance (save as those disclosed in this Agreement); (ii) Guangdong Changliu is duly incorporated and validly existing and its entire equity interest is owned as to 75% by HK Holding and as to 25% by KEI; and

(iii) Guangdong Changliu has made the application for the "Three Oldies Reform" (三旧改造) in respect of the Property in accordance with the government's policy in Guangdong Province and Guangdong City;

- (f) the approval of the Acquisition having been obtained from the shareholders of New City at its general meeting;
- (g) New City has completed its fund-raising activity(ies) and thereby raised not less than HK\$40,000,000 (Forty Million Hong Kong dollars);
- (h) an approval (which may be unconditional or subject to such conditions as may be imposed by the Stock Exchange and are acceptable by the Purchaser) has been obtained from the Stock Exchange for resumption of trading of the shares of New City on the Stock Exchange and the Acquisition;
- (i) Guangdong Changliu has obtained the New Loan; and
- (j) Guangdong Changliu has fully repaid the BOC Loan (including all interest accrued thereon) by applying the proceeds from the New Loan.

2.2 The Vendors shall use their best endeavours to procure the fulfillment of the conditions set out in Clause 2.1 within 180 days from the date of this Agreement (or such later date as may be agreed by the Purchaser).

2.3 The Purchaser shall be entitled to waive all or any of the conditions (except the condition set out in Clause 2.1(f)) set out in Clauses 2.1 at its absolute discretion.

2.4 If any of the aforesaid conditions has not been fulfilled (except the condition(s) which has/have been waived by the Purchaser under Clause 2.3) by the Long Stop Date, this Agreement shall lapse and no Party shall have any other claim against the other Parties except in respect of any antecedent breach and the costs and expenses which shall be borne by the Parties pursuant to Clause 18.

3. SALE AND PURCHASE OF THE SALE SHARES

The Vendors as the sole legal and beneficial owners shall sell, and the Purchaser, relying on the representations, warranties, undertakings and indemnities made or given by the Vendors and subject to the terms and conditions contained in this Agreement, shall purchase, the Sale Shares at the Consideration and with effect on the Completion Date free from all Encumbrances and together with all rights and interests accrued thereon and/or attached thereto as at the Completion Date.

4. CONSIDERATION

4.1 The Consideration shall be payable by the Purchaser to the Vendors at Completion in the following manner:

- (i) subject to Clause 4.3, as to RMB30,000,000, to be paid in cash by the Purchaser to the Vendors by delivering cheque, cashier's order, telegraphic transfer or any other method as may be agreed between the Parties;
- (ii) as to RMB20,000,000 (as remuneration for the performance of the obligations by Beijing Chengda as set out in Clause 5.1), by the Purchaser procuring New City to issue such amount of its new shares (at the same price as other new shares to be issued by New City as part of its proposal for resumption of trading of its shares on the Stock Exchange) to the person designated by Beijing Chengda (who/which shall be resident or incorporated outside the PRC) equivalent to RMB20,000,000 in value at Completion (the exchange rate applicable to the RMB to HK\$ conversion (or vice versa) shall be the spot rate of exchange quoted by the People's Bank of China at or about 11:00 a.m. (Hong Kong time) on the date of this Agreement);
- (iii) as to RMB50,000,000, by the Purchaser procuring New City to issue such amount of its new shares (at the same price as other new shares to be issued by New City as part of its proposal for resumption of trading of its shares on the Stock Exchange) to the person designated by KEI (who/which shall be resident or incorporated outside the PRC) equivalent to RMB50,000,000 in value at Completion (the exchange rate applicable to the RMB to HK\$ conversion (or vice versa) shall be the spot rate of exchange quoted by the People's Bank of China at or about 11:00 a.m. (Hong Kong time) on the date of this Agreement);
- (iv) as to RMB124,640,000 (equivalent to the amount of the New Loan of RMB160,000,000 less the amount of the BOC Loan together with all interest accrued thereon of RMB35,360,000 as at 30 September 2010), by the Purchaser procuring Guangdong Changliu to pay the remaining proceeds of the New Loan (after full repayment of the BOC Loan) in cash (by delivering cheque, cashier's order, telegraphic transfer or any other method as may be agreed between the Parties) to the Vendors or person(s) nominated by the Vendors. Provided that if the aforesaid remaining proceeds of the New Loan is less than RMB124,640,000, the shortfall shall be paid in cash by the Purchaser to the Vendors or person(s) nominated by the Vendors; and
- (v) as to RMB75,056,000 (being an amount equivalent to the total amount of the Guangdong Changliu Receivables as at 30 September 2010), by the Purchaser's delivery of a deed of assignment of receivables duly executed by the Purchaser in favour of the Vendors for assigning all the Guangdong Changliu Receivables to the Vendors at nil consideration (subject to the Purchaser's receipt of the deed of assignment of receivables executed by Guangdong Changliu pursuant to Clause 6.2(a)(x)). Provided that, if total the amount of Guangdong Changliu Receivables as at Completion Date is less than RMB75,056,000, the Purchaser shall procure Guangdong Changliu to pay an amount in cash equivalent to such shortfall (by delivering cheque, cashier's

order, telegraphic transfer or any other method as may be agreed between the Parties) to the Vendors or person(s) nominated by the Vendors.

- 4.2 Subject to Clause 4.3, the total Consideration shall be RMB299,696,000 (Renminbi Two Hundred and Ninety-Nine Million and Six Hundred and Ninety-Six Thousand).
- 4.3 If as at the Completion Date, the value of the Guangdong Changliu NAV is less than the value of the Guangdong Changliu NAV (without taking into account any changes in the fair value of the Property) as represented and warranted by the Vendors in paragraph 21 of the Schedule 3, the Consideration shall be reduced in an amount equivalent to such shortfall and such reduction shall be made in the cash payable pursuant to Clause 4.1(i).
- 4.4 Except as otherwise stated, for any payment of the Consideration in RMB or HK\$ equivalent (or vice versa), the exchange rate applicable to the RMB to HK\$ conversion (or vice versa) shall be the spot rate of exchange quoted by the People's Bank of China at or about 11:00 a.m. (Hong Kong time) on the date of payment.

5. VENDORS' OBLIGATIONS AND REMUNERATION

- 5.1 Beijing Chengda shall, after the signing of this Agreement and upon or before Completion:
 - (i) pay for the deposit of RMB30,000,000 to Mr. Zheng and Mr. Zhou pursuant to the Initial Acquisition Agreement;
 - (ii) arrange for financier(s) to provide loan(s) to Guangdong Changliu in the aggregate principal amount of RMB160,000,000 (Renminbi One Hundred and Sixty Million) (with a term of not less than two years and an interest of not exceeding 7.5% per annum), provided that if the aforesaid loan(s) provided by such financier(s) is/are of a term of less than two years, then Beijing Chengda itself shall provide such loan(s) to Guangdong Changliu so that Guangdong Changliu will have obtained loan(s) in the aggregate principal sum of RMB160,000,000 in total and with a term of not less than two years and at an interest rate of not exceeding 7.5% per annum; and
 - (iii) assist Guangdong Changliu in making the application for the "Three Oldies Reform" (三旧改造) in respect of the Property in accordance with the government's policy in Guangdong Province and Guangdong City.

6. COMPLETION

- 6.1 Completion shall take place on the third business day after all the Conditions Precedent are fulfilled (or otherwise waived by the Purchaser) or such other date as the Vendors and Purchaser may agree.
- 6.2 Completion shall take place at the Purchaser's office or such other place as the Parties may agree in writing, upon which the following businesses and the transactions shall take place simultaneously:

- (a) the Vendors shall deliver to the Purchaser:-
- (i) instruments of transfer in respect of the Sale Shares in favour of the Purchaser or its nominee duly executed by the Vendors as transferor, together with the relative share certificate(s) and all other documents which may be required to give good title to the Sale Shares or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee;
 - (ii) original board resolutions or minutes of BVI Holding approving the transfer of the Entire Issued Share Capital of BVI Holding to the Purchaser and the appointment of the persons nominated by the Purchaser as directors and secretary of BVI Holding so that the persons nominated by the Purchaser shall constitute the majority of the board of directors of BVI Holding;
 - (iii) original letter of ceasing to act duly executed by the existing local administrator in Hong Kong for notifying the British Virgin Islands registered agent of BVI Holding its intention to cease acting as administrator and its agreement to the appointment of the person nominated by the Purchaser as new administrator of BVI Holding;
 - (iv) original letter of resignation duly executed by the existing secretary of BVI Holding;
 - (v) original board resolutions or minutes of HK Holding approving the appointment of the persons nominated by the Purchaser as directors and secretary of HK Holding so that the persons nominated by the Purchaser shall constitute the majority of the board of directors of HK Holding;
 - (vi) original letter of resignation duly executed by the existing secretary of HK Holding;
 - (vii) original letters of resignation duly executed by all the directors and legal representatives of Guangdong Changliu with effect from the Completion Date;
 - (viii) original duly executed authorisation and applications from HK Holding and KEI to the relevant government department in the PRC for appointing the persons nominated by the Purchaser as the directors and legal representatives of Guangdong Changliu;
 - (ix) certified copies of the board resolutions or minutes of the Vendors for approving its execution of this Agreement and the transactions contemplated hereunder;
 - (x) a deed of assignment of receivables duly executed by Guangdong Changliu in favour of the Purchaser for assigning all Guangdong Changliu Receivables to the Purchaser at a consideration equivalent to amount of the Guangdong Changliu Receivables; and