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Dated the 16 day of October 2013

BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED
as Company

and

LEADING VALUE INDUSTRIAL LIMITED
as Subscriber

SUBSCRIPTION AGREEMENT
relating to shares in the capital of
BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

P.C. WOO & CO.

Solicitors & Notaries

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THIS SUBSCRIPTION AGREEMENT is made the 16 day of October Two Thousand and Thirteen.

PARTIES

- 1) BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED, a company incorporated in Bermuda whose registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is at Units 2003 and 2005, 20th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong (the "Company"); and
- 2) LEADING VALUE INDUSTRIAL LIMITED, a company incorporated in the British Virgin Islands, the registered office of which is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the correspondence address of which is at Units 2003 and 2005, 20th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong (the "Subscriber").

RECITALS

- A) The Company has at the date of this Agreement an authorised share capital of HK\$300,000,000 divided into 3,000,000,000 Shares of HK\$0.1 each, of which 2,138,084,922 Shares have been issued and are fully paid and are listed on the Stock Exchange;
- B) The Subscriber is the beneficial owner of 474,869,906 Shares representing approximately 22.21% of the entire issued share capital of the Company. Global Prize Limited is the beneficial owner of 2,040,000 Shares representing approximately 0.10% of the entire issued share capital of the Company. Both the Subscriber and Global Prize Limited are wholly-owned by Mr. Sze Wai, Marco, the Chairman, the Chief Executive Officer and an executive director of the Company;

- C) The Company has agreed to issue and the Subscriber has agreed to subscribe for the Subscription Shares on the terms and subject to the conditions set out in this Agreement; and
- D) Application shall be made to the Stock Exchange on behalf of the Company for listing of, and permission to deal in, the Subscription Shares.

NOW IT IS HEREBY AGREED as follows:

DEFINITIONS AND INTERPRETATION

1. Definitions

- 1.1. In this Agreement (including the Recitals above), the following expressions shall, unless the context requires otherwise, have the following meanings:

"Agreement" means this subscription agreement as supplemented, amended or varied from time to time by an agreement in writing duly executed by the Parties;

"Announcement" means the press announcement substantially in the agreed form proposed to be issued on behalf of the Company in substantially such form immediately following the execution of this Agreement;

"Business Day" means a day (excluding Saturdays and Sundays and public holidays) on which licensed banks in Hong Kong are generally open for business in Hong Kong;

"Closing Date" means the second Business Day after the conditions set out in Clause 5 are fulfilled or such other date as the Parties may agree in writing;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"HK\$" means Hong Kong currency;

, Mr. Sze and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited); (b) Subscriber's associates; and (c)

and/or the Whitewash Waiver

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(a)

"Independent Shareholder(s)"

means (i) for the purpose of this Agreement, Shareholders other than the Subscriber and its associates and any other Shareholders who are involved in or interested in this Agreement and the transactions contemplated hereunder; (ii) for the purpose of the Whitewash Waiver, Shareholders other than the Subscriber and parties acting or presumed to be acting in concert with it (including Mr. Sze Wai, Marco and Global Prize Limited) and any other Shareholders who are involved in, or interested in the Whitewash Waiver;

Takeovers Code

Subscription and/or the

"Listing Rules"

means the Rules Governing the Listing of Securities on the Stock Exchange;

"Long Stop Date"

31 December 2013;

"Parties"

means the named parties to this Agreement and their respective successors and permitted assigns;

"SFC"

means the Securities and Futures Commission of Hong Kong;

"Shares"

means shares of HK\$0.1 each of the Company;

"SGM"

means the special general meeting of the Company to be convened for the purpose of approving this Agreement and the transactions contemplated hereunder;

"Shareholder(s)"

means the holder(s) of the Share(s);

"Stock Exchange"

means The Stock Exchange of Hong Kong Limited;

"Subscription"

means the subscription by the Subscriber for the Subscription Shares on the terms and subject to the conditions set out in this Agreement;

"Subscription Price"

means HK\$0.1 per Subscription Share;

"Subscription Shares"

means 2,000,000,000 new Shares to be subscribed by the Subscriber pursuant to this Agreement;

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- “Takeovers Code” means the Code on Takeovers and Mergers;
- “Trading Day” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading session;
- “Warranties” means the representations, warranties and undertakings contained in Clause 12 and the Schedule; and
- “Whitewash Waiver” means the waiver by the Executive Director of the Corporate Finance Division of the SFC or any of his delegate to the Subscriber and any parties acting in concert respectively with it in respect of their obligation to make a general offer to the Shareholders for their Shares as a result of the issue of the Subscription Shares in accordance with Note 1 of Notes on dispensation from Rule 26 of the Takeovers Code.

2. Construction and Certain References

- 2.1. Any reference to a document being "in the agreed form" means in the form of the document or the draft thereof signed for identification on behalf of the Subscriber and the Company with (in the case of a draft) such alterations (if any) as may be agreed between the Subscriber and the Company.
- 2.2. References in this Agreement to persons include references to bodies corporate and references to the singular include references to the plural and vice versa.
- 2.3. References to Recitals and Clauses are to the recitals and clauses of this Agreement.
- 2.4. In this Agreement, (save as otherwise expressly stated herein) references to any statute, statutory provision or Listing Rule includes a reference to that statute, statutory provision or Listing Rule as from time to time amended, extended or re-enacted.
- 2.5. In this Agreement, where any statement is qualified by the expression "so far as the Company is aware" that statement shall be deemed to include an additional statement that it has been made after due and careful enquiry.

- 2.6. Headings are for convenience only and shall not affect the interpretation of this Agreement.

AGREEMENT TO SUBSCRIBE

3. Subscription

- 3.1. The Subscriber agrees to subscribe as principal for, and the Company agrees to issue, the Subscription Shares at the Subscription Price, free from all liens, charges, security interests, encumbrances and adverse claims on the Closing Date on the terms and subject to the conditions set out in this Agreement.

4. Subscription Shares

- 4.1. The Company agrees that the Subscription Shares shall, when fully paid, rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the Closing Date including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

CONDITIONS

5. Conditions

- 5.1. Completion of this Agreement is conditional upon:
- (a) the Shares remaining listed and traded on the Main Board of the Stock Exchange at all times from the date hereof up to (and including) the date of completion of this Agreement, save for any temporary suspension not exceeding twelve consecutive Trading Days, or such longer period not exceeding fifteen consecutive Trading Days as may be required by the SFC or the Stock Exchange in connection with the review and approval of the documents relating to the transactions contemplated herein (including but not limited to announcements and documents relating to the transactions contemplated herein) by the SFC or the Stock Exchange prior to their release or publication,
 - (b) no indication being received prior to completion of this Agreement from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Main Board of the Stock Exchange shall or may be withdrawn or objected to;

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- (c) having obtained the approval of the Independent Shareholders at the SGM of this Agreement and the transactions contemplated hereunder (including but not limited to the subscription, allotment and issue of the Subscription Shares);
- (d) having obtained any necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the execution and performance of this Agreement and any of the transactions contemplated under this Agreement;
- (e) listing of and permission to deal in the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);
- (f) the Executive Director of the Corporate Finance Division of the SFC or any of his delegate granting the Whitewash Waiver to the Subscriber and any parties acting in concert respectively with it;
- (g) the passing of the necessary resolutions by the Shareholders at the SGM who are permitted by the Executive Director of the Corporate Finance Division of the SFC or any of his delegate to vote on the relevant resolution to approve the granting by the Executive Director of the Corporate Finance Division of the SFC or any of his delegate of the Whitewash Waiver to the Subscriber and any parties acting in concert respectively with it; and
- (h) all the Warranties being true and correct in all material respects as at completion of this Agreement by reference to the facts and circumstances subsisting thereat.

this Agreement and the transactions contemplated hereunder and

Independent

6. Fulfilment

- 6.1. The Company and the Subscriber shall each use their respective best endeavours to procure the fulfilment of the conditions set out in Clause 5 and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may reasonably be required by each other, the SFC and/or the Stock Exchange in connection with the fulfilment of such conditions.

7. Non-Fulfilment

- 7.1. If the conditions set out in Clause 5 are not fulfilled on or prior to the Long Stop Date or such later date as may be agreed in writing between the Company and the Subscriber, this Agreement shall terminate and neither of the Parties shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any breach of Clause 11 and save for the provisions of Clause 11 which shall remain in full force and effect).

COMPLETION OF THE SUBSCRIPTION

8. Company's Obligations

- 8.1. Subject to the fulfilment of the conditions set out in Clause 5 and subject to the performance by the Subscriber of its obligations under Clause 9, completion of the Subscription shall take place at the office of the Company at 5:00 p.m.(Hong Kong time) on the Closing Date or such other time as the parties may agree, at which time the Company shall:
- (a) allot and issue to the Subscriber or as it may direct the Subscription Shares and shall promptly thereafter register the Subscriber as a member or members of the Company and shall cause to be delivered to the Subscriber such numbers of definitive certificates of title as may be requested by the Subscriber in respect thereof in the name of the Subscriber as it may direct in board lots (as nearly as practicable) or otherwise as the Subscriber may direct; and
 - (b) deliver to the Subscriber certified copies of the resolutions of the board of directors of the Company allotting and issue the Subscription Shares pursuant to Clause 8.1(a).

9. Subscriber's Obligations

- 9.1. At the completion of the Subscription, the Subscriber shall or procure the making of payment to the Company of the aggregate Subscription Price of the Subscription Shares by cheque or cashier order or such other means as agreed by the Parties.

EXPENSES

10. Each Party shall bear its own costs and expenses incurred in connection with the preparation, negotiation and performance of this Agreement.

WARRANTIES, REPRESENTATION AND UNDERTAKINGS

11. Warranties and Representations by the Subscriber

- 11.1. The Subscriber hereby represents, warrants and undertakes that as at the date hereof and as at the completion of the Subscription:

- (a) it is duly incorporated and validly existing under the laws of its place of incorporation and has the authority to enter into and perform this Agreement and that in entering into this Agreement and in performing its obligations hereunder, it does not and shall not do so in breach of any applicable legislation; and
- (b) this Agreement constitutes valid, binding and enforceable obligations of the Subscriber.

- 11.2. The Subscriber hereby agrees and acknowledges that the Company is entering into this Agreement in reliance on the representations and warranties made by it under Clause 11.1. However, save and except as expressly stipulated in Clause 11.1, the Company hereby expressly acknowledges and agrees that the Subscriber has not, and shall not be deemed to have, given any representations, warranties or undertakings in relation to any and all of the transactions contemplated in this Agreement and any and all such representations, warranties and undertakings are hereby expressly excluded.

12. Warranties and Representations by the Company

- 12.1. In consideration of the Subscriber entering into this Agreement and agreeing to perform its obligations hereunder, the Company hereby warrants and represents, in relation to the Subscription Shares, to and for the benefit of the Subscriber as follows:

- (a) the Company is duly incorporated and validly existing under the laws of the place of its incorporation with power to conduct its business in the manner presently conducted and the information contained in the Recitals is true and accurate; and

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- (b) subject only to the conditions herein, all necessary consents and authorizations have been obtained to enable the Company to issue and allot the Subscription Shares, the Company has power under its constitutional documents to enter into and perform its obligation under this Agreement and this Agreement is duly authorised and when duly executed shall constitute valid and legally binding and enforceable obligations of the Company.
- 12.2. The Company hereby represents, warrants and undertakes to the Subscriber that the Warranties are true and correct in all material respects and not misleading in any material respects as at the date of this Agreement and will continue to be so up to and including the time of completion of the Subscription.
- 12.3. The Company undertakes to notify the Subscriber as soon as reasonably practicable on any matter or event coming to its attention prior to completion of the Subscription which shows or could reasonably be expected to cause any of the Warranties to be or to have been untrue or misleading in any material respect or which may have any material adverse effect on the assets or liabilities of the Company.
- 12.4. The Company hereby agrees and acknowledges that the Subscriber is entering into this Agreement in reliance on the Warranties notwithstanding any enquiries or investigations which the Subscriber may have conducted and notwithstanding anything of which the Subscriber may or ought to have knowledge or notice, and the Subscriber is entitled to treat such representations and warranties as conditions of this Agreement.
- 12.5. Each of the Warranties is without prejudice to any other Warranty and, except where expressly or otherwise stated, no provision in any Warranty shall govern or limit the extent or application of any other provision in any Warranty.
- 12.6. The Warranties shall survive the completion of the Subscription and the rights and remedies of the Subscriber in respect of any breach of the Warranties shall not be affected by the completion of the Subscription or by the Subscriber rescinding, or failing to rescind this Agreement, or failing to exercise or delaying the exercise of any right or remedy, or by any other event or matter whatsoever, except a specific and duly authorised written waiver or release and no single or partial exercise of any right or remedy shall preclude any further or other exercise.

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12.7. The Subscriber shall be entitled to take action both before and after the completion of the Subscription in respect of any breach or non-fulfillment of any of the Warranties and the completion of the Subscription shall not in any way constitute a waiver of any right of the Subscriber.

13. Undertaking by the Subscriber

13.1. The Subscriber undertakes to accept the Subscription Shares subject to the Memorandum of Association and Articles of Association of the Company.

14. Full Force and Effect

14.1. The representations, warranties and undertaking contained in Clauses 11 and 13 shall remain in full force and effect notwithstanding completion of the Subscription.

ANNOUNCEMENTS

15. Authority

15.1. The Parties hereby authorise the release for publication of the Announcement, immediately following the signing of this Agreement.

16. Prohibition

16.1. Save as otherwise required by the Stock Exchange or the SFC, neither Party shall make any public announcement or communication other than the Announcement in relation to the Subscription without the prior approval of the other Party.

TIME OF THE ESSENCE

17. Any date or period mentioned in any Clause may be extended by mutual agreement between the Parties, but, as regards any date or period originally fixed or any date or period so extended as aforesaid, time shall be of the essence.

NOTICES

18. Addresses

18.1. All notices delivered hereunder shall be in writing and shall be communicated to the following addresses:

If to the Company, to:

Address : Units 2003 and 2005, 20th Floor, Great Eagle Centre, 23
Harbour Road, Wanchai, Hong Kong
Facsimile : 2234 9738
Attention : Mr. Chan Ying Kay

If to the Subscriber, to :-

Address : Units 2003 and 2005, 20th Floor, Great Eagle Centre, 23
Harbour Road, Wanchai, Hong Kong
Facsimile : 2164 9993
Attention : Mr. Sze Wai, Marco

19. Service

19.1. Any such notice shall be served either by hand or by facsimile. Any notice shall be deemed to have been served, if served by hand, when delivered, and if sent by facsimile on receipt of confirmation of transmission. Any notice received on a day which is not a Business Day shall be deemed to be received on the next Business Day.

GOVERNING LAW, JURISDICTION AND MISCELLANEOUS

20. Governing Law

20.1. This Agreement shall be governed by and construed in accordance with the laws of Hong Kong for the time being in force and the Parties hereby irrevocably submit to the non-exclusive jurisdiction of the Hong Kong courts.

21. Counterparts

21.1. This Agreement may be executed by the Parties in counterparts.

22. Process agent

- 22.1. The Subscriber hereby confirms that it has appointed Mr. Sze Wai, Marco of Units 2003 and 2005, 20th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong as its agent to receive and acknowledge on its behalf service of any writ, summons, order, judgment or other notice of legal process in Hong Kong. If for any reason the agent named above (or its successor) no longer serves as agent of the Subscriber for this purpose, the Subscriber shall promptly appoint a successor agent in Hong Kong and notify the other parties hereto failing which the other parties shall be entitled to treat the last known agent as valid. The Subscriber agrees that any such legal process shall be sufficiently served on it if delivered to such agent for service at its address for the time being in Hong Kong whether or not such agent gives notice thereof to us.


EXECUTION PAGE

AS WITNESS the hands of the duly authorised representatives of the Parties on the day and year first before written.

SIGNED by)
)
for the and on behalf of)
BEAUTIFUL CHINA HOLDINGS)
COMPANY LIMITED)
in the presence of: CHAN YING KAY)
D336565(5)


(Mr. Mao Zhenhua.)

SIGNED by)
)
for the and on behalf of)
LEADING VALUE INDUSTRIAL)
LIMITED)
in the presence of: CHAN YING KAY)
D336565(5)


(Mr. Sze Wai, Marco)

SCHEDULE

Warranties

GENERAL

Defined Terms in the Agreement

1. Words and phrases defined in the Agreement when used in this Schedule shall bear the same meaning, except the context requires otherwise:

"Accounts" means the interim report of the Company for the six months ended 30 June 2013;

"Accounts Date" means 30 June 2013;

"Encumbrance" means a mortgage, charge, pledge, lien, option, restriction, hypothecation, assignment, right to acquire, pre-emption right, third-party right or interest, other encumbrance, priority or security interest of any kind, and any agreement or obligation to create or grant any of the aforesaid;

"Group" means the Company and its subsidiaries; and

"PRC" means the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

Extension to other members of the Group

2. Unless the context requires otherwise, the representations, warranties, undertakings and covenants contained in this Schedule in relation to the Company shall be deemed to be repeated mutatis mutandis in relation to each of the other members of the Group.

Time Frame

3. All representations, warranties, undertakings and covenants shall be deemed to have been given as accurate

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- 3.1. as at the date of this Agreement;
- 3.2. as at the date of the completion of the Subscription; and
- 3.3. throughout the period from the date of the Agreement to the date of the completion of the Subscription.

Accuracy of Disclosure

4. All information in relation to the Company contained in this Agreement (including the recitals) is true and accurate in all material respects.

PRELIMINARY

Listing status

5. The listing of the Shares on the Stock Exchange is not terminated by the Stock Exchange or suspended for a continuous period of 21 trading days or more and there is no such termination or suspension threatened against the Company. The Company is not aware of any circumstances or matters which are likely to give rise to the termination of the listing status of the Company or which are likely to jeopardise such listing or which may possibly result in disciplinary proceedings being commenced by the Stock Exchange against the Company or its past or current directors.
6. As at the date of completion of the Subscription, the Company will have obtained from the Stock Exchange and other authorities all necessary consents (if any) which are relevant to maintain the listing status of the Company on the Stock Exchange or to complete the transactions under this Agreement in the manner contemplated.
7. The Company is not in breach of the terms of the listing agreement that it has entered into with the Stock Exchange and it is not in breach of any of the rules, regulations and requirements of the Stock Exchange.

Other matters relating to the Subscription Shares

8. Subject to the fulfilment of the condition precedent set out in Clause 5,

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- 8.1. all necessary consents authorisations and approvals of and all necessary registrations and filings with any governmental or regulatory agency or body required in Hong Kong, Bermuda or elsewhere for or in connection with this Agreement and the performance of the terms thereof;
 - 8.2. the Company will at the completion of the Subscription have sufficient authorised but unissued share capital for the Company to perform its obligations to allotment and issue of the Subscription Shares. The directors of the Company will be authorised to allot and issue the Subscription Shares. The Subscription Shares, when issued, will be duly authorised and shall rank pari passu in all respects with all other existing Shares outstanding at the date of issue and entitle its holder to all dividends, bonuses and distributions the record date for which falls on a date on or after the date of the relevant issue.
 - 8.3. the allotment and issue of the Subscription Shares will not infringe and will not be contrary to any laws or regulations of any governmental or regulatory body of Hong Kong or Bermuda or any other relevant jurisdiction and will not result in any breach of the terms of the constitution of the Company or constitute a breach (with or without the giving of notice or lapse of time, or both) or acceleration of any obligations of any member of the Group under any deed, agreement, mortgage or other instrument which is binding on any member of the Group.
9. There are no options, rights to acquire, or any other form of security or Encumbrance on, over or affecting any part of the unissued share capital of the any member of the Company and there is no agreement or commitment to give or create any of the foregoing and no claim has been made by any person to be entitled to any of the foregoing.
 10. As at the date of completion of the Subscription, the Group does not have any liabilities or obligation (actual or contingent) other than those incurred in its ordinary course of business or those disclosed in the Accounts.

Capacity and authority

11. No Adverse Effect:
 - 11.1. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in the breach or

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cancellation or termination of any of the terms or conditions of or constitute a default under any agreement, commitment or other instrument to which the Company is a party or by which the Company or its property or assets may be bound or affected or violate any law or any rule or regulation of any administrative agency or governmental body or any order, writ, injunction or decree of any court, administrative agency or governmental body affecting the Company.

11.2. There are no circumstance whereby whether by reason of an existing agreement or arrangement or otherwise) or as a result of this Agreement, the completion of the transactions contemplated hereby (including the ancillary documents pursuant to this Agreement) or following a change in the control of the Company or in the composition of the board of directors of the Company any of the following matter will happen:

- (c) any principal supplier of the Group will cease, or be entitled to cease, supplying it or may substantially reduce its supplies;
- (d) any principal customers of the Group would cease, or be entitled to cease, to deal with it or may substantially reduce its existing level of business; or
- (e) any principal contractors of the Group would cease, or be entitled to cease, to deal with it or may substantially reduce its existing level of commitment;
- (f) the Group will lose the benefit of any right or privilege which it enjoys and the loss of which will have a material adverse effect on the business or financial position of the Group taken as a whole;
- (g) any officer or senior employee of the Group is likely to leave or will be entitled to leave prematurely other than those to be required under the terms of this Agreement and such leave will have a material adverse effect on the business or financial position of the Group taken as a whole;
- (h) any agreement concerning the Group have been or can be terminated and such termination will have a material adverse effect on the business or financial position of the Group taken as a whole.

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11.3. The Group has not entered into any transaction which is still executory and is material to the business or financial position of the Group taken as a whole, and which is or may be unenforceable by reason of the transaction being voidable at the instance of any other party of ultra vires, void or illegal.

12. Under Value:

The issue and allotment of the Subscription Shares do not represent assets which were, the subject of a transfer or conveyance at an undervalue (within the meaning of Section 49 of Bankruptcy Ordinance Cap. 6, Laws of Hong Kong) within five (5) years of insolvency of the shareholders of the Company.

CORPORATE MATTERS

Due Existence

13. Each member of the Group has been duly incorporated and is validly existing under the laws of its place of incorporation and has full power, authority and legal right to own its assets and carry on its business and is not in receivership or liquidation. It has taken no steps to enter into liquidation and no petition has been presented for winding up of any member of the Group and there are no grounds on which a petition or application could be based for the winding up or appointment of a receiver of any member of the Group.

Lawful Business

14. Each member of the Group has at all times carried on its business in compliance with all applicable laws and regulations (save and except any non-compliance which would not have any material adverse impact on the business, operations or financial position of the Group taken as a whole) and neither it, nor any of its officers or employees, has committed any criminal offence or any tort or any breach of the requirements or conditions of any statute, treaty, regulation, bye-law or other obligation relating to it.

Not Subject of Investigation

15. None of the members of the Group is the subject of any official investigation or inquiry and there are no facts which are likely to give rise to any such investigation or inquiry.

Overseas Operations

16. The Company and each member of the Group (as the case may be) does not have and has never had any place of business or branch or permanent establishment outside its jurisdiction of incorporation or Hong Kong or the PRC.

GENERAL BUSINESS MATTERS

Entitlement to Conduct Business

17. All necessary registrations and notifications have been made and all licences, consents, permits and authorities (public and private) have been obtained to enable the business of the Group to be carried on lawfully and validly in the manner and locations in which such business is now carried on and all such registrations, notifications, licences, consents, permits and authorities that have been obtained or made are valid and subsisting and there are no circumstances which indicate that any of them may be suspended, cancelled or revoked or not renewed in the ordinary course.

Negative Statements for Assurance

18. None of the following has occurred which had or will have a material adverse effect on the business or financial position of the Group taken as a whole:
- 18.1. *No unlawful Matters:* There are no contracts or obligations, agreements or arrangements to which any member of the Group is a party or by which any member of the Group is bound which are void, illegal, unenforceable, registrable or notifiable under or contravening any laws or regulations.
- 18.2. *No Default:* No member of the Group is in default under any provision of any contract or agreement to which it is a party or by which it is bound and no event has occurred which constitutes a default, or which with the giving of notice or the passage of time or otherwise, would constitute a default under such contract or agreement or to which would require the premature repayment of any loans or other amounts due thereunder and no party with whom any member of the Group has entered into any agreement is in default thereunder.
- 18.3. *No liabilities (Except in Ordinary Course of Business):* The Group has no liabilities except liabilities arising in the ordinary course of business

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including but not limited to those under purchase orders, supply contracts, sale contracts, construction contracts, or other liabilities not required by generally accepted accounting principles to be referred to in the Accounts and no member of the Group is owed any moneys other than trade debts and cash at bank.

18.4. *No Loans or Guarantee Obligations:* There are no loans, guarantees, pledges, mortgages, charges, liens, debentures, Encumbrances or unusual liabilities given, made or incurred by or on behalf of any member of the Group (and, in particular, without limiting the foregoing, no loans have been made by or on behalf of the any member of the Group to any directors or shareholders of any member of the Group) and no director or other person has given any guarantee of or security for any financial or other obligation of any member of the Group.

18.5. *No Exceptional Events:* the profit and loss of the Company shown by the Accounts have not in any material respect been affected by unusual, non-recurring or exceptional items or by any other matters which has rendered such profits or losses unusually high or low.

CONTRACTS, COMMITMENTS, FINANCIAL AND OTHER ARRANGEMENTS

Absence of Commitments

19. There is not now outstanding with respect to any member of the Group any of the following which is material to the business or financial position of the Group taken as a whole:-

19.1. *Golden Parachute & Incentive Commitment:* any obligations or ex-gratia arrangements to pay pensions gratuities retirement annuities and benefits periodical sums bonuses incentive payments or any compensation to any person;

19.2. *Recurrent Payments on Assets:* any contracts for hire or rent, hire-purchase or purchase by way of credit or instalment payment of for maintenance of any assets;

19.3. *Liability on Past Disposition:* any agreement or arrangement (whether by way of guarantee indemnity warranty representation or otherwise) under

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which it (or any assets thereof) is under a prospective or contingent liability in respect of any disposal of assets or businesses or any party thereof by the shareholders or the obligations of any other person;

- 19.4. *Non-Arm's length* : any agreement or agreement entered into by it otherwise than by way of bargain at arm's length or in the ordinary course of business;
- 19.5. *Third Party Rights over Assets*: any charges, rights of security of third party rights of any kind whatsoever which have been created or permitted to arise, conditionally or unconditionally, over any of its assets;
- 19.6. *Liabilities Not Reflected in Accounts*: any liabilities, whether actual, future or contingent of any kind whatsoever (other than those which have arisen in ordinary course of normal day to day business) which are not referred to and disclosed in the Accounts.

Non-involvements Areas

- 20. No member of the Group is a party to :
 - 20.1. *Long Term Contracts* : any contract which involves or is likely to involve obligations, restrictions or expenditure of an unusual or onerous nature or which, in accordance with its terms, cannot or will not be fulfilled or performed within three months from the date of such contract;
 - 20.2. *Restrictive Commitments*: any contract materially or adversely affecting its business or assets or restricting its freedom of action in relation to its normal business activities;
 - 20.3. *High Stake Commitments*: any contracts for the purchase of materials, supplies or equipment which are in excess of the requirements of for its normal operating purposes or require expenditures in excess of HK\$500,000;
 - 20.4. *Trade Distribution Commitments*: any sales agency, distribution, marketing, purchasing or licensing agreements;
 - 20.5. *Joint Ventures etc.* : any joint venture, agency or partnership arrangement or agreement or similar arrangement or agreement; or

- 20.6. *Related party transactions*: any agreement in which the shareholder(s) of the Company or any director(s) of any member of the Group is interested (directly or indirectly).

No Default

21. No default has been made by any member of the Group in any material respect of any of the provisions of any contract agreement or arrangement to which it is a party where such default will have a material adverse effect on the business or financial position of the Group taken as a whole.

Supply Arrangements

22. No notice or threat of cancellation or modification had been received by the Company in respect of any contract, agreement or arrangement, or series of contracts, agreements or arrangements, (whether or not legally binding) relating to the supply of goods or services to or by it in respect of the Company, where such cancellation or modification will have a material adverse effect on the business or financial position of the Group taken as a whole .

ASSETS

General

23. The fixed and loose plant, machinery, furniture, fixtures and fittings, equipment and vehicles and tangible assets used in connection with the business of the Group and all other fixed assets referred to in the Accounts and any additions thereto made since the Accounts Date are the sole and absolute property of and held by member(s) of the Group free from any liens, mortgages, charges, Encumbrances, hire or hire purchase agreements, credit sale agreements or agreements for payment on deferred terms or bills of sale and member(s) of the Group has good title thereto and all such assets are in the possession or under the control of member(s) of the Group and, where any such assets have been disposed of, they have not been disposed of at less than book value.
- 23.1. *Legality*: Neither the construction, positioning nor use of any of the Company's assets, nor the assets themselves contravene any relevant provision of any legislation, regulation or other requirement having the force of law,

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- 23.2. *Proper use*: all such assets owned or used by the Company are capable of being used for the purpose for which they were designed, acquired or used; and
- 23.3. *Assets Sufficient for the Business*: The assets owned by the Company and each of the companies in the Group, together with assets held under any hire purchase, leasing or rental agreements comprise all assets necessary for the continuation of its business as now carried on.

INTELLECTUAL PROPERTY RIGHTS

24. *No Infringement* : The Group does not use any processes and is not engaged in any activities which infringe any patents, copyrights, trademarks, designs, business names or other registrable or unregistrable intellectual property rights of any third party.
25. *Confidential Information*: The Group does not use any processes and is not engaged in any activities which involve the misuse of any know-how, lists of customers or suppliers, trade secrets, technical processes or other confidential information ("Confidential Information") belonging to any third party. There has been no actual or alleged misuse by any person of any of its Confidential Information. The Group has not disclosed to any person any of its Confidential Information except where such disclosure was properly made in the normal course of the Group's business and was made subject to an agreement under which the recipient is obliged to maintain the confidentiality of such Confidential Information and is restrained from further disclosing it or using it other than for the purposes for which it was disclosed by the Group.
26. *Business Name*: The Group does not carry on business under any name other than its own.

INSURANCE

Proper Insurance

27. All assets of the Group of an insurable nature have at all times been and are insured in such amounts and against such risks as are in accordance with good commercial practice and the Group has at all times been adequately covered against accident, third party, public liability, product liability and other risks normally covered by insurance.

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28. The Company has effected and maintains valid policies of insurance in an amount and to the extent that it is prudent to do so in the business carried on by it. The Group is not in default under any of these policies.

Claims

29. No material claim is outstanding either by the insurer or the insured under any of the said policies and no material claim against any member of the Group by any third party is outstanding in respect of any risk covered by any of the policies or by any policy previously held by any member of the Group.

No Waiver of Events

30. No member of the Group has suffered any uninsured extraordinary or unusual losses nor waived any rights of natural or substantial value nor allowed any insurance to lapse.

EMPLOYMENT MATTERS

Legal Compliance

31. Each member of the Group has complied in all material respects with all its obligations under all applicable statutes, ordinances and regulations, and agreements in connection with its employees (if any).

No Disputes and Claims

32. There is no past, existing, threatened or pending dispute involving any member of the Group and any group or category of its employees and there is no arrangement between any member of the Group and any trade union or organisation representing by such employees and no circumstances have arisen which any member of the Group is required to pay, damages in relation to the dismissal of or to reinstate or re-engage any former employee.
33. There is no material claim, accusation, assertion of rights or litigation which is outstanding in connection with the employees of any member of the Group or which is to be initiated or has been initiated by any employee of any member of the Group.

Termination Payments

34. Except for the mandatory provident funds and social insurance and any other mandatory requirements imposed by the laws of Hong Kong or the PRC (if applicable), none of the members of the Group is liable to provide any of its employees or the spouses or other relatives thereof with any welfare of any nature in relation to retirement or resignation or termination or suspension or variation of any employment contract or death or disability.

LITIGATION, DISPUTES AND OFFENCES

No Litigation

35. No member of the Group is engaged whether as plaintiff or defendant or otherwise in any civil, criminal or arbitration proceedings which is material to the business or financial position of the Group taken as a whole, other than proceedings commenced by it in connection with debt recovery in the ordinary course of business, or in any proceedings before any statutory or governmental body, department, board or agency and no such proceedings are threatened or pending.

No Violation of Law

36. There has been no violation of any law, order, ruling or regulation of Hong Kong or Bermuda or the PRC or any other jurisdiction in consequence whereof an unfavourable judgement, decision, ruling or finding which would materially and adversely affect the trading operations or financial condition or income of the Group taken as a whole.
37. There are no facts or circumstances which are likely to result in any proceedings being brought by or against any member of the Group or against any person for whose act or defaults any member of the Group may be vicariously liable, and which is material to the business or financial position of the Group taken as a whole.

Breaches

38. No member of the Group has committed any criminal act or breach of contract or statutory duty or other tortious or other unlawful, ultra vires or unauthorised act

the effect of which would result in a diminution of the net asset value of the Group to a material extent.

Defects

39. In particular but without prejudice to the generality of the foregoing there are no disputes between any member of the Group and its customers, suppliers or employees in relation to defective or unsafe goods, plant or work or any loss, damage or personal injury resulting therefrom which would materially and adversely affect the trading operations or financial condition or income of the Group taken as a whole.

INSOLVENCY

Receivers

40. No receiver has been appointed of the whole or any part of the assets or undertaking of any member of the Group.

Petition

41. No petition has been presented, no order has been made and no resolution has been passed for the winding-up or dissolution of any member of the Group.

Solvency

42. No member of the Group has stopped payment nor is it insolvent or unable to pay its debts within the meaning of the Companies Ordinance or other applicable laws.

Judgements

43. No unsatisfied judgement is outstanding against any member of the Group.

NEGATIVE ASSURANCES

Negative Assurances

44. Since the Accounts Date:

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- 44.1. *No Diminution in Value*: the Company has not declared, paid or made any interim or final dividend or other distribution and no loans or loan capital has been repaid in whole or in part;
- 44.2. *No Adverse Change*: there has been no material adverse change in the financial or trading position of the Group taken as a whole;
- 44.3. *No Change in business*: there has been no material interruption or alternation in the nature, scope and manner of the business of the Group which business has been carried on lawfully and prudently and in the ordinary and usual course of business so as to maintain it as a going concern;
- 44.4. *No Change in Customer Relations*: there has been no material adverse change in the customer relations of the said business or in the financial condition or the position, prospects, assets or liabilities of the said business of the Group taken as a whole and no damage, destruction or loss (whether or not covered by insurance) affecting the said business or its assets and there has been no substantial decrease in income;
- 44.5. *Continued Payment* : the Company has continued to pay its creditors in the ordinary course of business;
- 44.6. *Material Contracts or Commitments* : no member of the Group has incurred or become subject to any liability or obligation (absolute or contingent) except bank loan, current liabilities and obligations incurred under contracts on normal terms entered into in the ordinary course of business.
- 44.7. *Encumbrance*:
- (a) no member of the Group has created, nor will it up to the date of completion of the Subscription, create or permitted to raise (or agreed to create or permit to raise) any mortgage, lien, charge or other Encumbrance over or in respect of the whole or any part of its assets undertaking property or assets;
 - (b) no member of the Group has entered into any guarantee or otherwise support or secure any liabilities and obligations of and the payment of any moneys whatsoever (including but not limited to capital, principal,

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premiums, interest, dividends, costs and expense on any stocks, shares or securities) by it or any other person firm or company;

- (c) no member of the Group has discharged or satisfied any lien or Encumbrance or any other obligation or liability (absolute or contingent) other than liabilities disclosed in the Accounts as at the Accounts Date and current liabilities incurred since the Accounts Date in the ordinary course of business;
- (d) no member of the Group has repaid any loan capital in whole or in part (other than indebtedness to its bankers) nor has it become bound or liable to be called upon to repay prematurely any loan capital or borrowed moneys;
- (e) there has not been any capitalisation of reserves and no share or loan capital of any member of the Group has been issued or agreed to be issued or any option or right there over granted;
- (f) no member of the Group has undergone any capital reorganisation or change in its capital structure;

44.8. *No Depletion of Assets* : no member of the Group has depleted its assets by any unlawful act on the part of any person;

44.9. *No Further Liability on Taxation*: no further liability or contingent liability for taxation has arisen other than as a result of trading activities in the ordinary course of its business;

44.10. *Abnormal Factors* : the Group has not been materially and adversely affected by any abnormal factor not affecting similar businesses to a like extent and in like manner;

44.11. *Waivers* : no member of the Group has waived or released any rights of a material or substantial value howsoever arising;

44.12. *Reduction of Value* : no resolution of any member of the Group in general meeting has been passed other than resolutions passed at its annual general meetings and nothing has been done in the conduct or management of its affairs which would be likely materially to reduce its net asset value;

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- 44.13. *Terminating Event* : no event has occurred as regards any member of the Group which would entitle any third party to terminate any material contract or any material benefit enjoyed by it or call in any material contract or any material amount of money before the normal due date therefor or indebtedness;
- 44.14. *Ordinary Business Maintained* : the business of any member of the Group has not ceased to be carried on in the ordinary and usual course and in the same manner (including nature and scope) as in the past, no fixed asset or stock has been written up nor any debt written off, and no unusual or abnormal contract has been entered into by any member of the Group;
- 44.15. *Employment* : no member of the Group has paid, applied or voted to any of its officer or employee by way of remuneration, bonus, incentive or otherwise any sum or benefit in excess of the amounts paid or distributed to them by it at the Accounts Date so as to increase the total remuneration and no new service agreements have been made or entered into by it since the Accounts Date and it is under no contractual or other obligation in respect thereof nor has any member of the Group changed the terms of service of any officer or employee;

THE ACCOUNTS

45. *Standards* : in accordance with the accounting principles generally accepted in Hong Kong and commonly adopted by companies carrying on business similar to that carried on by the Company or the Group (as the case may be) at the time they were prepared.
46. *True & Fair View*: the Accounts shall give a true and fair view of the state of affairs of the Group.
47. *Legislations* : the Accounts shall be in compliance with all applicable legislation, rules and regulations.

TAXATION

Fully Paid

48. Each member of the Group has paid or accounted for all Taxation (if any) due to be paid or accounted for to the relevant fiscal authority before the date of this Agreement.

Notifications and Returns

49. The Company or the Group (as the case may be) has complied with all relevant legal requirements relating to registration or notification for Taxation purposes. The returns which ought to have been made by or in respect of the Company or the Group (as the case may be) for any Taxation purposes have been made and all such returns are up-to-date correct and made on a proper basis and are not the subject of any dispute with any Taxation or other relevant authority. There are no present circumstances which are likely to give rise to any such dispute and there is no fact or matter which might result in any such dispute or any liability for Taxation (present or future) not provided for in the Accounts and the Company or the Group (as the case may be) is under no liability to pay any penalty or interest in connection therewith.

Dated 16th day of October 2013

BEAUTIFUL CHINA HOLDINGS
COMPANY LIMITED
as Company

and

LEADING VALUE INDUSTRIAL
LIMITED
as Subscriber

SUBSCRIPTION AGREEMENT
Relating to shares in the capital of
BEAUTIFUL CHINA HOLDINGS
COMPANY LIMITED

P.C. WOO & CO.
Solicitors & Notaries
12th Floor,
Prince's Building,
10 Chater Road,
Central,
Hong Kong
Tel: (852) 2533 7700 Fax: (852) 2810 1179