

RELATIONSHIP WITH SHANDONG BIOPHARMACEUTICAL**Research and development agreement**

Shandong Research Institute was assessed and graded by the Evaluation Committee of Provincial Key Laboratory of Scientific Research of Shandong Province as a biopharmaceutical research laboratory of Shandong Province. It is a fellow subsidiary of Shandong Biopharmaceutical under the same holding company, Shandong Commerce (Group) Company Limited (山東省商業集團總公司). With Shandong Biopharmaceutical as the Chinese joint venture partner, CTF is able to maintain a good relationship and co-operation with Shandong Research Institute.

On 10 December, 1999, CTF and Shandong Research Institute entered into a cooperation agreement for a term of 10 years to bolster CTF's research and development capabilities. Pursuant to this agreement, CTF may designate research topics for Shandong Research Institute while Shandong Research Institute may also select research topics in line with CTF's product development. CTF has a first right of refusal in relation to acquisition of the research results of Shandong Research Institute with a consideration of the total research expenses plus a margin of the range between 10 per cent. and 20 per cent. CTF and Shandong Research Institute shall, jointly own any intellectual property rights over the research results from any research projects done by Shandong Research Institute entrusted by CTF. As at 31 May, 2000, no such research expense was incurred by CTF since the date of entering into the cooperation agreement in December 1999.

Property leasing agreement

CTF entered into a leasing agreement with Shandong Research Institute on 1 June, 2000 to lease a property with a total gross floor area of approximately 7,685 sq.m. as office, workshop and staff quarters. Details regarding the property are set out in "Property valuation report" in Appendix III to this prospectus. Pursuant to the agreement, the property was leased by CTF for a term of one year from 1 June, 2000, with an option to renew annually until 2042. The rental of the property shall be agreed between the parties each year upon renewal of the lease. Such rental shall be determined based on market conditions and the basis of such rental is subject to adjustment for every five years.

Sales to Shandong Biopharmaceutical

For each of the two years ended 31 December, 1999 and the five months ended 31 May, 2000, CTF's sales to Shandong Biopharmaceutical amounted to approximately HK\$33,000, HK\$1,584,000 and HK\$822,000, respectively. The sales were all conducted at market price. The Directors advised that there is no long term agreement entered between CTF and Shandong Biopharmaceutical in this regard and they expect the sales to Shandong Biopharmaceutical will be minimal.

Bank facility guarantee

On 8 March, 2000, a bank facility guarantee contract was entered into between Shandong Biopharmaceutical and Bank of China Jinan Branch, pursuant to which Shandong Biopharmaceutical guarantees CTF's short term bank loan of RMB8,000,000 (equivalent to HK\$7,537,000) for a term of three months. On 8 June, 2000, the bank loan was fully repaid by CTF.

RELATIONSHIP WITH JIANGSU TIANQING**Land leasing agreement**

On 1 May, 1997, a land leasing agreement was entered into between CTT and Jiangsu Tianqing, pursuant to which CTT rents a piece of land with a total gross area of 99,270.84 sq.m. for a term of approximately 50 years expiring on 31 December, 2046. Such land leasing agreement was approved by Lianyungang City Land Administration Bureau (連雲港市土地管理局) by Document Lian Tu Di Cai 1996 No. 013 (連土地產〔1996〕013號). The annual rental is RMB595,625.04. Further details are set out in the “Property valuation report” in Appendix III to this prospectus.

Bank facility guarantees

On 5 January, 2000, a bank facility guarantee contract was entered into between Jiangsu Tianqing and Agriculture Bank of China Lianyungang Branch, pursuant to which Jiangsu Tianqing guarantees CTT’s bank facility with an aggregate amount not exceeding RMB15,000,000 (equivalent to HK\$14,132,000). As at 31 May, 2000, RMB11,050,000 (approximately HK\$10,410,000) of the guaranteed bank loans of CTT were utilised. The bank facility guarantee contract will expire on 31 December, 2000.

On 28 January, 2000, Jiangsu Tianqing entered into a bank facility guarantee contract expiring on 28 January, 2001 with Bank of Communications Lianyungang Branch, pursuant to which Jiangsu Tianqing guarantees CTT’s bank facility with an aggregate amount not exceeding RMB5,000,000 (approximately HK\$4,711,000). Such bank facility was fully utilised by CTT as at 31 May, 2000.

Jiangsu Tianqing has agreed and has provided an undertaking to the Stock Exchange to continue to provide the above guarantees until the relevant bank loans are fully repaid.