

15 JUL 2002 VP. MH

Date: 16 July 2002

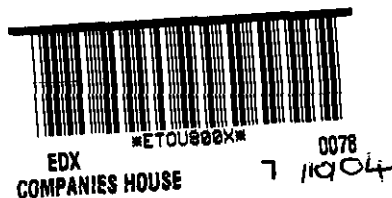
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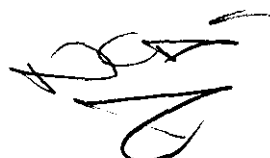
William Doyle (and others) VP. MH

Phynova Limited

Share Sale Agreement

relating to
Phynova LLC




THIS AGREEMENT is made this 16th day of July 2002



BETWEEN:

- (1) William Doyle ("**WD**") and the other persons whose names and addresses are set out in columns 1 and 2 of Part A of Schedule 1 (the "**Vendors**"); and
- (2) PHYNOVA LIMITED (No 4356862) whose registered office is at 29 Albemarle Street, London W1S 4JB (the "**Purchaser**").

NOW IT IS AGREED as follows:

1. Definitions

- 1.1 In this Agreement the following expressions have the following meanings:

Expression

Meaning

"Business Day"

a day (other than a Saturday or a Sunday) on which the clearing banks are open for business in London

"Code"

the United States Internal Revenue Code of 1986

"Company"

Phynova Limited Liability Corporation, a Delaware corporation, short particulars of which are set out in Schedule 3

"Closing"

the performance by the parties of the several obligations contained in Clause 8

"Closing Date"

the date specified in Clause 4

"Consideration Shares"

the ~~£400~~ ⁴ Ordinary Shares of £0.10 each of the Purchaser credited as fully paid to be allotted in consideration of the sale of the Sale Shares

"Joint Venture Agreement"

the Joint Venture Agreement dated 15 May 2002 between (1) Beijing Hepusen Chinese Medicine Technology Company and (2) the Company relating to the

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promotion of Chinese natural plant products in world markets

"Sale Shares"

all of the issued and outstanding shares of common stock in the capital of the Company

"Tax" or "Taxation"

includes all forms of taxation duties imposts levies and rates whenever and howsoever imposed and whether of the United Kingdom, the USA, the Peoples' Republic of China or elsewhere and whether statutory governmental, state, provincial, local governmental or municipal and any payment whatsoever which the Company and/or the Company may be or become bound to make to any revenue customs or fiscal authority whether of the United Kingdom, the USA, the Peoples' Republic of China or elsewhere and all penalties charges fines and interest incidental or relating to any taxation and including (but without limitation) income tax, corporation tax, capital gains tax, inheritance tax, stamp duty, rates, value added tax, customs and import duties, national insurance contributions and PAYE

"Warranties"

the representations, warranties and undertakings set out in Schedule 3

- 1.2 Words importing the singular include the plural and vice versa, words importing a gender include every gender and references to persons include bodies corporate or unincorporate.
- 1.3 Where any liability is incurred by or obligation is imposed on more than one person such liability shall be incurred and obligation imposed jointly and severally on the relevant person.

2. Sale of Sale Shares

- 2.1 Subject to the terms of this Agreement each of the Vendors shall sell and the Purchaser shall purchase with full title guarantee the number of Sale Shares set opposite his name in column 3 of Schedule 1.
- 2.2 The Sale Shares shall be transferred free from all liens charges and encumbrances and together with all rights attached to such shares (including any accrued but unpaid dividend entitlement).
- 2.3 Each of the Vendors waives any rights of pre-emption conferred on him by the Articles of Incorporation of the Company over the Sale Shares.
- 2.4 The Purchaser shall not be obliged to complete the purchase of any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.

3. Consideration for Sale Shares

The consideration payable for all the Sale Shares shall be the allotment and issue to the Vendors credited as fully paid of the Consideration Shares in proportions set out in column 4 of Schedule 1. The Consideration Shares shall rank pari passu in all respects with the ordinary shares of the Purchaser in issue at the date of issue.

4. Closing Date

Closing of the sale and purchase referred to in Clause 2 shall take place at the offices of the Purchaser immediately after the signing of this Agreement.

5. Closing

- 5.1 On Closing the Vendors shall:
 - (a) deliver to the Purchaser (without payment of consideration other than that specifically provided in this Agreement):
 - (i) stock certificate(s) evidencing the shares in the Company owned by such Vendors, duly endorsed for transfer to the Company or with an executed stock transfer power in favour of the Company attached.

- (ii) such waivers or consents as the Purchaser may require to enable the Purchaser or (as the case may be) the Company to be registered as holders of the Sale Shares
- (iii) all the statutory and other books and records (duly written up to date) of the Company and their respective minute books, stock books, stock/share certificates and other certificates of incorporation and common seals;
- (iv) a certificate of good standing with respect to the Company issued by the Secretary of State of Delaware and each other jurisdiction in which the Company is qualified to do business;
- (b) procure the registration (subject to being duly stamped) of the transfers referred to in sub-Clauses 5.1(a)(i) notwithstanding any provision to the contrary in the constitutional documents of the Company;
- (c) procure the valid appointment of Robert Miller ~~[Michael Martin]~~ as an additional director of the Company;
- ~~(d) procure that [] and [] cease to be officers of the Company and each such person delivers to the Purchaser a resignation and a letter duly executed and delivered as a deed acknowledging that he has no claim outstanding for compensation for loss of office or otherwise including redundancy and unfair dismissal;~~

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5.2 On Closing the Purchaser shall deliver to the WD (whose receipt shall be an absolute discharge) share certificates in respect of the Consideration Shares to be allotted on Closing.

5.3 If on the Closing Date the Vendors shall be unable to comply with any of their obligations under the preceding provisions of Clause 5.1 the Purchaser may:

- (a) defer Closing to a date not more than 28 days after the said date (and so that the provisions of this Clause 5.3(a) shall apply to Closing as so deferred); or
- (b) proceed to Closing so far as practicable but without prejudice to the Purchaser's rights (whether under this Agreement generally or

under this Clause) to the extent that the Vendors shall not have complied with their obligations under such provisions; or

- (c) rescind this Agreement (without prejudice to any other rights to which it may be entitled).

5.4 Each of the Vendors declares that with effect from Closing and for so long as he remains the registered holder of any of the Sale Shares he shall:

- (a) stand and be possessed of the Sale Shares and the dividends and other distributions of profits or surplus or other assets in respect of the Sale Shares and all rights arising out of or in connection with them in trust for the Purchaser and its successors in title; and
- (b) at all times deal with and dispose of the Sale Shares and all such dividends distributions and rights as the Purchaser or any such successor may direct.

5.5 Each of the Vendors appoints (with effect from Closing) the Purchaser as its lawful attorney (with power to delegate) to act in the name of the relevant Vendor and on its behalf in exercising dealing with and (where appropriate) transferring all voting and other rights which may now or at any time in the future attach to the Sale Shares registered in the name of the relevant Vendor.

6. Warranties

6.1 In consideration of the Purchaser entering into this Agreement WD represents, warrants and undertakes to the Purchaser in the terms set out in Schedule 5.

6.2 WD shall be deemed to repeat the representations, warranties and undertakings contained in Schedule 5 immediately prior to Closing by reference to the facts or circumstances then subsisting but so that any express or implied reference to the date of this Agreement is substituted by the date of Closing.

6.3 It is hereby expressly agreed and declared that each of the Warranties shall be construed as a separate and independent warranty, representation or undertaking (as the case may be) to the intent that a separate claim and right of action shall arise in respect of each breach of any Warranty.

7. Restrictive Covenants

7.1 In consideration of the Purchaser entering into this Agreement each of the Vendors undertakes to the Purchaser that during the period from the date of Closing of this Agreement to the first anniversary of Closing he shall not:

- (i) within the United Kingdom, the United States or the Peoples' Republic of China carry on, or be concerned directly or indirectly in, or be engaged concerned or interested and whether as principal, shareholder (other than as a holder of shares or debentures listed on a recognised investment exchange) partner, agent, employee, consultant or otherwise in any business competing with the Joint Venture Agreement; nor
- (ii) endeavour to entice away on his own account or on behalf of any other person, firm or company any consultant, executive or employee from the Company or the Purchaser (whether or not such person would commit a breach of contract by reason of leaving the service of the Company or the Purchaser).

7.2 Also in consideration of the Purchaser entering into this Agreement each of the Vendors undertakes (as a separate and independent undertaking) that he shall not at any time within the period of five years from Closing of this Agreement:

- (i) use the names "Phynova" or any imitation of such names as a business name or as part of a corporate name or in any way hold himself out as being connected with the Company or with the business carried on by the Company, other than as a director, officer or shareholder of the Purchaser; or
- (ii) establish or be concerned or interested in the operation of any other business, whether by means of joint venture or otherwise, for the manufacture, sale or licencing outside China of drugs, pharmaceuticals, medicines, healthcare products, dietary supplements or foods (or products derived from information relating thereto) developed or used in China.

7.3 The restrictions contained in the preceding sub- clauses are:

- (a) considered reasonable by the parties but in the event that any of them should be found to be void but would be valid if some part of such sub-clauses were deleted or the period or area of application reduced, such restrictions shall apply with such modification as may be necessary to make them valid and effective; and
- (b) separate and severable and shall be enforceable accordingly.

7.4 Each of the parties agrees that, in addition to any other rights and remedies available, the restrictions contained in this Clause 7 may, without the posting of any bond or similar security, or the proving of actual damages, be specifically enforced by a temporary restraining order and/or preliminary and permanent injunction, it being acknowledged that a breach of any such restriction will cause irreparable injury to the Purchaser in respect of which damages will not provide an adequate remedy.

8. Further Assurances

8.1 Notwithstanding Closing each of the Vendors covenants with the Purchaser promptly to execute all such documents and do all such acts and things at his own cost and expense as the Purchaser may from time to time reasonably require on and after the Closing Date in order to assist the Purchaser to perfect the right, title and interest of the Purchaser to and in the Sale Shares, and of the Company to and in the Sale Shares, and to obtain for the Purchaser the full benefit intended to be conferred upon the Purchaser pursuant to and by reason of the performance by him of this Agreement.

8.2 During the period of six years from Closing, if the Purchaser requires any information (including, but not limited to, correspondence, orders, books of account, computer disks and other media) relating to the business of the Company which is not in the possession of the Purchaser or the Company or readily available to the Purchaser or the Company but is in the possession or under the control of one or more Vendors or any person in any way connected or associated with a Vendor, then the Vendors shall (and shall use their reasonable endeavours to procure that any such other person shall) provide such information to the Purchaser promptly on request.

9. Notices

9.1 Any notice claim or demand required to be given or made for any purpose of or connected with this Agreement may be given or made by sending the same by prepaid first class post or facsimile to, or by delivering the same by hand at, the relevant address shown in this Agreement or such other address as shall have been notified (in accordance with this Clause) by the party concerned to the other parties.

9.2 Any notice so sent:

- (a) by post shall be deemed to have been served 72 hours after posting and, in proving such service it shall be sufficient to prove that the notice was properly addressed stamped and put into the post; and
- (b) by facsimile shall be deemed to have been served on the date next following the date of despatch of such facsimile which is a Business Day *(provided that the sender shall have received a successful transaction report in respect of such facsimile)*.

10. Enforceability after Closing

10.1 This Agreement shall remain in full force and effect notwithstanding Closing except in respect of those matters then already performed.

10.2 This Agreement shall be binding upon and enure for the benefit of the successors of the parties.

10.3 No party may assign any or all of its rights or obligations under this Agreement.

11. Confidentiality and Announcements

Save as may be required by law:

- (a) each party shall treat as strictly confidential all information (except information which is in the public domain other than as a result of a breach of this Agreement) received or obtained as a result of or in anticipation of entering into or performing this Agreement which relates to the provisions of, the negotiations leading to or the other party to this Agreement or any of the agreements or documents referred to in this Agreement; and

- (b) no party shall publish or make any announcement or public statement (save for notices to landlords required under leases) regarding the subject matter of this Agreement or any of the agreements or documents referred to in this Agreement which has not been previously approved in writing by or on behalf of the other party such consent not to be unreasonably withheld or delayed.

12. Releases

Any liability to the Purchaser under this Agreement may in whole or in part be released compounded or compromised or time or indulgence given by the Purchaser in its absolute discretion as regards any of the Vendors without in any way prejudicing or affecting the rights of the Purchaser against the other Vendors in respect of the same or a like liability whether joint and several or otherwise.

13. Entire Agreement

- 13.1 This Agreement and the documents which are expressed to be entered into in conjunction with it set forth the entire agreement and understanding between the parties or any of them in connection with the Company and the sale and purchase described in this Agreement.
- 13.2 No purported variation of this Agreement shall be effective unless made in writing and executed by all the parties hereto.

14. Waivers and Remedies

- 14.1 No failure or delay by any party hereto in exercising any right, power or privilege under this Agreement shall impair such right, power or privilege or be construed as a waiver thereof nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
- 14.2 The rights and remedies of the Vendors and the Purchaser herein provided are cumulative and not exclusive of any rights and remedies provided by law.

15. Counterparts

This Agreement may be executed in any number of counterparts including by way of facsimile and by the different parties on separate counterparts, each of which when so executed and delivered shall be an original, but all

of the counterparts shall together constitute one and the same instrument.

16. Governing Law

16.1 This Agreement shall be governed by and interpreted in accordance with English law and the parties submit to the exclusive jurisdiction of the High Court in England and Wales.

16.2 Each of the Vendors irrevocably authorises and appoints [Vendors' UK Solicitors] to accept service of all legal process arising out of or connected with this Agreement and service on the Vendors' Solicitors (or such substitute) shall be deemed to be service on the party concerned.

17. Severability

17.1 In the event that any provision or any part of any provision of this Agreement shall be void or unenforceable for any reason whatsoever, then such provision shall be stricken and of no force and effect. However, unless such stricken provision goes to the essence of the consideration bargained for by a party, the remaining provisions of this Agreement shall continue in full force and effect, and to the extent required, shall be modified to preserve their validity.

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

Schedule 1

The Vendors

(1)	(2)	(3)	(4)
Name	Address	No of Sale Shares	Consideration Shares

William Doyle

1 Old Killearn Rd
Millbrook
NY 12545
USA.

All the
issued and
outstanding
units of
membership
in Phynova LLC

~~2,250~~ 400

~~2,250~~

MM

WD

MM

WD,

MM 

Schedule 2

The Company

1. Share Capital

Shares of common stock []
of [no] [\$] par value

Authorised

1. Directors

William Doyle

[]

3. Secretary

Issued

[] 1. Membership

*The Company comprises
units of membership
all of which have been
issued to William
Doyle as at the date
of this Agreement.*

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Schedule 3

Warranties

1. Financial Postion

- 1.1 The Company has not prepared and is not obliged to prepare Financial Statements in accordance with applicable laws.
- 1.2 Except for entry into the Joint Venture Agreement, the Company has not traded, has no employees and has no assets or liabilities (including contingent liabilities).
- 1.3 As at the date of Closing:
 - (a) the consolidated net assets of the Company shall not be less than \$0;
 - (b) the net current assets of the Company shall not be less than \$0;

and for these purposes the level of net assets and net current assets shall be determined in accordance with GAAP.

2. Organization

- 2.1 the Company is a corporation duly organized, validly existing and in good standing under the laws of [Delaware]; has all requisite power to own, lease and operate its assets, properties and business and to carry on the business contemplated by the Joint Venture Agreement and as proposed to be conducted; and is duly qualified or licensed to do business as a foreign corporation and is in good standing in every jurisdiction in which *the nature of its business or the location of its properties requires such qualification or licensing*. Schedule 3 sets forth all jurisdictions in which the Company is qualified or licensed to do business as a foreign corporation.
- 2.2. Assuming that all required governmental approvals and all required third party consents are obtained, neither the execution or delivery by the Vendors of this Agreement nor the consummation of the transactions contemplated herein will: (i) violate any provision of the Articles of Incorporation, by-laws or other charter documents of the Company; (ii) violate in any material respect any applicable law; (iii) constitute a material default under, or give rise to any right of termination or

acceleration of, or to a loss of any material benefits by the Company or under, any material contract; or (iv) result in the creation or imposition of any lien upon any assets of the Company.

3. Shares

- 3.1 The information relating to the Company set out in Schedule 2 is true and accurate in all material respects.
- 3.2 As at the date of this Agreement all of the Company's issued and outstanding shares of stock are duly authorized, fully paid and non-assessable and are beneficially owned by those persons referred to in Schedule 1 in the proportions set out therein and free from all liens charges and encumbrances or interests in favour of any other person.
- 3.3 Immediately following Closing the entire issued and outstanding share capital of the Company will be beneficially owned by the Company free from all liens , claims, charges, security interests, encumbrances or other rights of any kind whatsoever in favour of any other person.
- 3.4 There are no options or other agreements outstanding which call for the issue of or accord to any person the right to call for the transfer or issue of any shares or loan capital of the Company.
- 3.5 No further share or loan capital of the Company and/or the Company will pending Closing be created or issued or agreed to be issued.
- 3.6 There has been no exercise, purported exercise or claim of any charge, lien, encumbrance or equity over any issued or unissued share or loan capital of the Company and/or the Company.

4. Contracts

- 4.1 The English language version of the Joint Venture Agreement supplied to the Purchaser prior to the date hereof is a true and complete version of such Agreement which has not been terminated or varied and is a contract binding on the parties thereto enforceable according to its apparent terms.
- 4.2 Except for the Joint Venture Agreement the Company is not a party to any long term (that is to say not being capable of being terminated without compensation within three months of Closing) onerous or unusual contract or arrangements or any contract or arrangement not made in the ordinary course of business and pending completion no such contract or obligations

will be entered into or assumed without the express written consent of the Purchaser.

- 4.3 There are no contracts or arrangements (whether written or oral) to which the Company is a party which will or can be determined or adversely affected as a result of the provisions of this Agreement or which will prevent the Purchaser obtaining the full benefit of this Agreement.
- 4.4 The Company has not conducted any activity on terms involving any guarantee, indemnity, representation, warranty, obligation or future commitment.
- 4.5 There is not in force any contract or arrangement by which any person is entitled to any right or interest in or to any payment by way of commission or otherwise arising from or in connection with the profits of or sales by the Company.
- 4.6 *There are not in force any agency, manufacturing, marketing, distribution, purchasing or licensing agreements to which the Company and/or the Company is a party.*
- 4.7 There are no loans made nor debts due to the Company owing by the Vendors and/or any Connected Person.
- 4.8 There are no existing contracts or engagements to which the Company is a party and in which the Vendors and/or any Connected Person is or are interested.

5. Charges

There is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or encumbrance or equity on over or affecting the whole or any part of the undertaking and assets or capital stock 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.

6. Litigation

The Company is not engaged or concerned in any litigation (including prosecution for any criminal offence) or arbitration proceedings whether as plaintiff or defendant or otherwise and so far as the Vendors are aware there is:

- (a) no such litigation pending or threatened against the Company;
- (b) no proceedings in respect of which the Company is or may be liable to indemnify any party concerned therein; and
- (c) no claim already made which if pursued might result in proceedings of any character against the Company.

7. Insurance

The Company has no assets, rights or obligations against which it would be customary or prudent to arrange insurance cover.

8. Taxes

- 8.1 Within the times and in the manner prescribed by applicable law, the Company has filed all tax returns which it is required to file, has paid or provided for all Taxes shown thereon to be due and owing by it and has paid or provided for all deficiencies or other assessments of Taxes, interest or penalties owed by it; no tax authority has asserted, or will successfully assert, any claim for the assessment of any additional Taxes of any nature with respect to any periods covered by any such tax returns; all Taxes which are required to be withheld or collected by the Company have been duly withheld or collected and, to the extent required, have been paid to the proper tax authority or properly segregated or deposited as required by applicable law;
- 8.2 The Vendors have delivered to the Purchaser true and correct copies of all federal and state income tax returns of the Company for the last three complete fiscal years.
- 8.3 There is no Tax sharing or other Tax-related agreement in effect among or between the Company and any other person and the Company is not subject to any partnership, joint venture, limited liability company or other arrangement which is treated as a partnership for United States Federal or state income Tax purposes.
- 8.4 The Company will not be required to recognize after Closing any taxable income in respect of accounting method adjustments required to be made under the Tax Reform Act of 1986 or the Revenue Act of 1987.

SIGNED and DELIVERED as a DEED by WILLIAM JOYCE
in the presence of:

Witness.....*William Joyce* (AN. MACANIE)

Address.....*29 Albemarle Street*
.....*London W1S 4JB*

Occupation.....*Solicitor*

SIGNED and DELIVERED as a DEED by
in the presence of:

Witness.....

Address.....

.....

.....

Occupation

EXECUTED and DELIVERED as a DEED
by the said PHYNOVA LIMITED acting
by a Director and the Secretary/two
Directors:

Charles..... Director

Michael Martin..... Director/Secretary

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