

FACSIMILE



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DATE: OCTOBER 6TH, 1999

FAX #: (011) 450 2285

REF: M6F778VN

FROM: MARC BORIN

PAGE 1 OF 7

RE: CHINA: HEADS OF AGREEMENT

Dear Ertjies

As per our telephonic discussion earlier today, please find attached a copy of the Heads of Agreement for eAfrica/China Business Consulting (Pty) Ltd and Spur International Limited.

We await your comments in this regard and should you have any queries, please do not hesitate to contact the writer.

Kind regards

pp 15/10/99

MARC BORIN

For and on behalf of Spur International

HEADS OF AGREEMENT

1. THE PARTIES

The parties to these Heads of Agreement are:

- 1.1 SPUR INTERNATIONAL LIMITED
("Spur")
- 1.2 eAfrica/China Business Consulting (Pty) Ltd
("eAfrica")

2. INTERPRETATION

- 2.1 In these Heads of Agreement ("the Heads"), unless inconsistent with the context, the following words and expressions shall bear the meanings assigned thereto:
 - 2.1.1 "Spur" means Spur International Limited c/o 57 Selkirk Street, Cape Town, South Africa;
 - 2.1.2 "the Effective Date" means the date of signature hereof;
 - 2.1.3 "the Territory" means the Peoples Republic of China;
 - 2.1.4 "eAfrica" means eAfrica/China Business Consulting (Pty) Ltd c/o
-

3. RECORDAL

- 3.1 Spur carries on the business of, inter alia, the franchisor of distinctive western-style restaurants, pursuant to uniform systems, distinctive layout and décor, developed and owned by Spur, trading under the name and style of "Spur Steak Ranch Restaurants" ("the Restaurants")

in various countries.

- 3.2 eAfrica is interested in establishing a commercial relationship with Spur in accordance with the provisions of these Heads.
- 3.3 Pending the drafting and execution of the Agreements necessary to give effect to the transactions referred to herein ("the Formal Agreements"), the parties have agreed to execute these Heads, which Heads record the salient terms of the Agreement reached between the parties. The parties undertake to take all reasonable and necessary steps to procure the conclusion of the Formal Agreements and undertake to exercise their utmost good faith towards each other in negotiating the finer details of such Agreements. These Heads shall not be binding upon the parties, it being intended that the parties shall contract and covenant with each other solely upon the basis and upon the conclusion and signature of the Formal Agreements.

4. THE COMMERCIAL RELATIONSHIP

- 4.1 eAfrica is entitled for a period of 6 (six) months or such further period as may be mutually agreed, to procure franchisees who will establish Restaurants in the Territory, subject to and upon the following terms and conditions:
- 4.1.1 the acceptance of any person proposed as a franchisee by eAfrica shall be in the sole discretion of Spur and shall be subject to such proposed franchisee executing the then Spur Franchise Agreement and any other ancillary documentation required by Spur;
- 4.1.2 the initial license fee ("the Initial License Fee") payable by such franchisee shall be such amount as may be determined by Spur;
- 4.1.3 the continuing franchise fee payable by the franchisee to Spur will be an amount of 5% (Five Percent) of the turnover thereof, payable monthly, provided that with effect from the

establishment of the fourth and subsequent Restaurants in the Territory the said 5% (Five Percent) shall be increased to 6% (Six Percent);

- 4.1.4 eAfrica will assist with the procuring of suitable locations for the establishment of the Restaurants (which locations shall be subject to the prior approval of Spur);
- 4.1.5 eAfrica will take reasonable steps to ensure that the franchisees proposed by it have sufficient funds to conduct the Restaurant. To this end Spur shall supply eAfrica with an estimate of the costs of establishing a Restaurant, on the basis that any such estimate is merely a projection and does not amount to a warranty by Spur in favour of any party, whether express or implied, as to the costs to be incurred or the suitability of the location, turnover, profits, success or otherwise of the Restaurant;
- 4.1.6 eAfrica will conduct research and development in the Territory, in respect of new items or variations of existing items which could possibly be added to the menu of the Restaurant;
- 4.1.7 eAfrica will identify contractors and suppliers to carry out the development, building and decoration of the Restaurants in the Territory, in compliance with Spur's standards and specifications;
- 4.1.8 eAfrica will at all times regard any information relating to the trade secrets and know-how of Spur in respect of the establishment and operation of the Restaurants or otherwise as confidential information and shall not utilise or divulge, directly or indirectly, such information;
- 4.1.9 eAfrica ensuring that the representatives of the said franchisees selected by Spur undergoing training in South Africa for such period of time as Spur deems fit, which period shall be

approximately 10 (Ten) weeks.

- 4.2 In the event of any franchisee being recommended by eAfrica (and whom is acceptable to Spur) and upon such franchisee executing Spur's Franchise Agreement and establishing and opening the Restaurant, Spur will effect payment of a fee to eAfrica in respect of such franchisee, in the sum of USD 20 000.00 (Twenty Thousand United States Dollars), which amount shall only be due and payable on receipt by Spur of the Initial License Fee or the opening of the Restaurant, whichever is the later.
- 4.3 The said sum of USD 20 000.00 (Twenty Thousand United States Dollars) payable by Spur to eAfrica shall, with effect from the establishment of the fourth and subsequent Restaurants in the Territory, be reduced to USD 10 000.00 (Ten Thousand United States Dollars) and shall be payable, mutatis mutandis, as provided for in clause 4.2.

5. MASTER FRANCHISE AGREEMENT

5.1 Subject to Spur being satisfied, in its discretion, that:

- 5.1.1 the Initial 3 (Three) Restaurants are being conducted in accordance with its normal standards and levels of service expected from its franchisees; and
- 5.1.2 the Initial Restaurants are financially successful; and
- 5.1.3 eAfrica has sufficient financial resources and the requisite personnel training and infrastructure;
- developed in the Territory;

Spur will grant eAfrica, a Master Franchise Agreement, for the conduct of Spur Steak Ranch Restaurants within the Territory, subject to the terms and conditions to be mutually agreed upon between the parties.

- 5.2 It is recorded and agreed that such Master Franchise Agreement will, Inter alia, provide that:
- 5.2.1 any franchises granted by eAfrica, pursuant to the terms of the Master Franchise Agreement, to franchisees in the Territory will provide that such franchisees shall pay a continuing franchise fee equal to 6% (Six Percent) of turnover, payable monthly. All amounts received by eAfrica in terms of such franchise agreements, shall immediately be divided upon receipt thereof by eAfrica between Spur and eAfrica, as to 50% (Fifty Percent) each thereof; and
 - 5.2.2 Spur shall be entitled to determine the suitability of the locations and the proposed franchisees; and
 - 5.2.3 eAfrica shall responsible for controlling the operations of the Restaurants in the Territory (including the Initial Restaurants) in order to ensure same are conducted according to Spur's uniform systems and operational methodology; and
 - 5.2.4 eAfrica shall ensure that the proposed franchisees have sufficient financial resources and that eAfrica can provide requisite personnel training and infrastructure; and
 - 5.2.5 eAfrica shall procure that a certain number of Restaurants, in an agreed period of time, shall be established within the Territory, such number and period to be mutually agreed upon between the parties.
- 5.3 In the event of eAfrica failing to comply with its obligations in terms of the Master Franchise Agreement, Spur shall have the option to cancel same and acquire all the rights of eAfrica in terms of any franchise agreements entered into by it, and for the avoidance of any doubt, eAfrica will cease to derive any benefit in terms of such franchise agreements by way of payments by such franchisees.

6. GENERAL

- 6.1 In the event of Spur being desirous of establishing Spur Steak Ranch Restaurants in Asia, then it undertakes to discuss with eAfrica whether a mutually beneficial agreement can be reached with eAfrica to exploit such opportunities.
- 6.2 It is hereby specifically agreed and acknowledged that nothing herein contained shall form a partnership between the parties, nor shall anything herein contained constitute any of the parties the agent of the other and none of the parties shall hold itself out as being a partner or agent for the other.
- 6.3 No announcement or publication to any third party of any aspect of these Heads or the Formal Agreements shall be made without the prior consent of Spur.
- 6.4 These Heads shall be governed according to the laws of the Republic of South Africa.

DATED AT THIS DAY OF 1999

AS WITNESSES:

PP: SPUR INTERNATIONAL LIMITED

1. _____

2. _____

Per Director who duly warrants he is
authorised hereto

DATED AT THIS DAY OF 1999

AS WITNESSES:

PP: eAFRICA/CHINA BUSINESS
CONSULTING (PTY) LTD

1. _____

2. _____

Per Director who duly warrants he is
authorised hereto

**Moon Star Commerce & Industries (Pty) Ltd**
通商國際商貿有限公司

Reg. No. 98 / 00979 / 07

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30 September 1999

Mr. Alfred Nzo
Chairman
E Africa/China Business Consulting
Cape Town

Dear Sir,

Our letter dated 22 September 1999 has reference.

Since we haven't received any reply, I would kindly appreciate your recommendation. I was specifically referred to you by Ambassador Dlamini, and would appreciate the opportunity to meet with you in person. It would be highly appreciated if you could inform my office of your most convenient availability.

Thanking you in anticipation.

Yours truly,

Theuns Botha
Managing Director**AFFILIATIONS:**

Cape Communication Group, JCCI / SACOB, ZITF, "The association for the promotion of trade between South Africa and China"

EXECUTIVE DIRECTORS:

Meng Ling Yu (Chairman), Theuns Botha (Managing)

NON-EXECUTIVES DIRECTORS: Dr. Hannikl Kasselman (Councillor), Jacques van der Heijden, Edwin Mahlutszana, Dr. Bwalya Ng'andu (Zambia)