Ⅰ. The Deal of This Negotiation

❖Considering our future business, we are attempting to acquire the brand power of RED Chocolate (the TARGET), the ability to develop new products, and a strong sales network abroad. Purchasing the TARGET has the extra merit that it provide speed to BLUE's development of new products and sales abroad.
Please refer to the figure bellow.

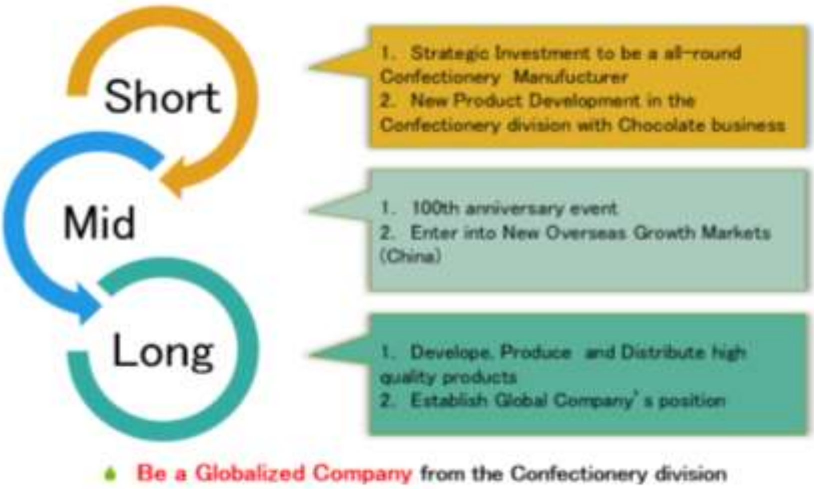
❖The chocolate business is the indispensable key for BLUE to establish a position as an all-round confectionery manufacturer. It can be said that the future of BLUE depends on the chocolate business. Therefore, we may compromise in the purchase price to get this opportunity. In addition, if we succeed to connecting the chocolate business with our other businesses as ice cream or milk beverages, we can expect the growth of overall sales of BLUE.

❖As a listed company, we have a responsibility to increase the value of the company and make return to the stockholders.

❖It is assumed that RED is willing to raise funds for the new business through this transaction.

【Present Situation and Future Plans】

❖Present Situation:
Backed by the centenary-lasting confectionery business, we entered into dairy and pharmaceutical divisions providing "high quality, low price" products.



❖Future Problems to be Solved:
Shift to international markets from the domestic market, where aging population and lower birthrates are becoming severe.

Ⅱ. The Goal of This Negotiation

1. The Purchase of the TARGET

❖To successfully conclude a Stock Purchase Agreement, we want to minimize the risk we will bear when any transaction with Zeta related parties or the contamination of the factory site is found.

❖There are 5 issues left. From the perspective of increasing the corporate value, the accountability to the shareholders and risk control, our goals are as follows.

a. Purchase Price

Considering the corporate value of the TARGET and the demand in the chocolate market, the adequate purchase price should be around US$80 million to US$95 million. However, since it is very important for us to enter into the chocolate business, if the Red's representation and warranties and/or risk sharing are satisfactory to us, we are ready to pay up to US$105 million.

b. Officers

We are willing to appoint the CEO of the TARGET from our existing confectionery division staffs. As for Ms. Chen, we highly respect her ability and we are strongly willing to hire her. As for Mr. Sullivan, although we cannot offer him neither the position of CEO nor Director of Sales, it is possible to hire him for other positions. In the early stage, we show that we could hire him, however the condition of the employment could be conceded for getting advantage in other issues.

c. Representations and Warranties (R&W)

Regarding the R&W on the factory site and the transactions with Zeta, we have to reduce the risk we bear. We strongly request RED to make R&W for the contamination by the previous landowner as well as indirect transactions with Zeta related parties or take sufficient risk on these matters. Therefore it would be unavoidable to add some amount on the purchase price for this issue.

d. Breakup Fee

We could set up a Breakup Fee clause up to US$ 1million.

Ⅲ. Strategy of the Negotiation

❖The maximum price we could offer RED is US$ 105million for purchase.

❖ It is important to reach an agreement by April to introduce our new products for the Christmas season of 2015 and for Valentine's Day 2016. In case where we could not finalize the contract until April 2015, we have to denounce the Agreement.

❖One of the purposes to purchase the TARGET is to acquire the technology of product development, so we are eager to hire Ms. Chen.

❖The issue of R&W on two matters might have an impact to the future of the business. The risk we must bear should be substantially limited. At least, both parties should share the risk equally. We want to require RED to make survey in advance, but if it takes time we have to take the risk and conclude the contract as fast as possible.

❖ We are confident that BLUE would not withdraw from this deal. However, if RED insists on Breakup Fee, we may compromise in exchange for getting their compromise on other issues.

2. The Order

Purchase Price ⇒ Officers ⇒ Representations and Warranties about the Factory Site (The period of the Conclusion of Contract) ⇒ Dealings with Zeta ⇒ Breakup Fee ⇒ Purchase Price

❖We aim to conclude this contract amicably. Therefore, after narrowing the gap of the purchase price, we would suggest that we could hire Mr. Sullivan. After we discuss all relevant issues, we decide the price taking into our account agreement on other issues.

Ⅳ. Goal and Strategy of Each Issues

1. Purchase Price

❖The gap between two parties' proposals is big. Firstly to fill the gap, we need to explain the reason of our proposal on US$70 million. Secondly, we ask RED how they have come up to the price US$120 million and tell that we cannot agree to that price, because we have the accountability to the stockholders. Since Arbitria Securities mentioned that the discount ratio of 8% is not plausible, we think that RED also understands that the price they offered is not reasonable. The range between US$80~150 million would be plausible not only for BLUE but also for RED.

❖We would like to make a deal around US$90 million. However, we have to note that we are able to higher the purchase price flexibly considering other issues to the extent that we can reasonably explain to the shareholders. Consequently, considering the agreement of the R&W, we could offer US$105 million.

2. Officers

❖Basically, we want Ms. Chen for the new chocolate business. We could hire Mr. Sullivan in a position that he could use his experience. For example, we could offer him two position, sales advisor or manager in charge of new market expansion. In terms of the salary, considering the average salary for these position, we regard that US$700,000 is reasonable. If RED sticks to his salary we may raise it in exchange for RED's compromise.

3. Representations and Warranties

❖It is difficult to find all the risks by due diligence. Therefore, we would like to reduce the risks of unexpected incidents. Getting RED's R&W or RED's acceptance of substantial risk into the Stock Purchase Agreement is important.

❖We will show our intention that we are considering the R&W as an important issue. We would like to acquire the TARGET with better terms of R&W or risk sharing clause in exchange for the concession on the purchase price.

(1)Representations and Warranties about the Factory Site

❖Although we understand that RED is unwilling to accept the R&W by fearing the possibility of contamination by the previous landowner, we still think that it is natural for RED to represent and warrant the soil contamination. Thus, we would suggest RED to make a full survey of the land again and decontaminate. If RED even refuses to perform the survey, we try to find out what RED is concerning, by asking: "Are you refusing to conduct the survey because of your concern with regard to the high possibility of contamination?" At the same time, since we want to conclude the agreement by April, we need to ask RED how long it takes to conduct the survey.

❖As for the coverage of the Representations and Warranties, we request RED to include the contamination by the previous landowner as well as RED's. If RED agrees to our request, we can bear up to half of the cleanup cost.

(2) Dealings with Zeta

❖We would like to discuss the issue of direct transactions and that of indirect transactions separately. RED may argue that this is an excessive extraterritorial application of Arbitrian Law, however this level of extraterritorial application is commonly conducted all over the world. First, we would like to request RED to represent and warrant about the direct transactions, which would be easily accepted by RED. Then we will move on to the issue of indirect transactions. Although it would be natural for RED to represent thoroughly about indirect transactions as well, considering the situation of RED, we may limit the range of the R&W to the extent that RED has neither direct nor indirect dealings with a Zeta-related parties to the best of its knowledge. In that case, we need to investigate after the acquisition in order to secure that there is no breach of the law. Therefore, we would like RED to bear the cost of conducting such investigations in exchange for excluding the RED's burden to warrant the indirect transaction.

4. Breakup Fee

❖Considering the amicable process of the negotiation so far and the Letter of Credit in Art.6 (Exhibit 19) which stipulates that either party may withdraw from the deal by its discretion, we do not consider that it is necessary to include a breakup fee clause in the deal. After asking why RED desires to include this clause, we will explain why it is unnecessary to set a clause by emphasizing the little possibility of BLUE not being able to secure necessary funding or the Board approval. If RED insists on this point, we may agree to the breakup fee. However, we couldn't decide the percentage of the breakup fee until the purchase price is determined since these issues are closely related to each other. After deciding the purchase price, setting 1% of the purchase price as breakup fee is acceptable.

5. The Final Period of the Conclusion of Contract

❖We need to stick to the period of the conclusion of contract to be around April 2015, since it is the latest period in order to enter the business in time for the St. Valentine's Day, when the sales will go up. Therefore, in case the necessary period of research exceeds April 2015, we may accept not to do the research. In exchange, we set some price adjustment or risk sharing clauses. Timing of the contract is an important factor for our marketing. If we can bring it forward, we can raise the purchase price a bit more.