BOUNDLESS CORP
Form 8-K
December 15, 2006

UNITED STATES-
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report:

(Date of earliest event reported)

December 15, 2006

Boundless Corporation
(Exact name of registrant as specified in its charter)

Delaware	**0-17977**	**13-3469637**
State of Incorporation	Commission File Number	IRS Employer I.D. Number

No. 1-3 South-hanyang Street
Longtan Development Area, Jilin City
Address of principal executive offices

Registrant's telephone number: **86 4325072983**

50 Engineers Lane, Unit 2
Farmingdale, New York 11735
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12(b))
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Information included in this Form 8-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This information may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Boundless Corporation (“Boundless”, “We”, “Our” or the “Company”) and Jilin Haitian Industrial Company Limited (“Haitian”) to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe the Boundless' and Haitian’s future plans, strategies and expectations, are generally identifiable by use of the words "may," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that any projections or other expectations included in any forward-looking statements will come to pass. Boundless' and Haitian’s actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, Boundless undertakes no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Prelude

On May 30, 2006, the United States Bankruptcy Court for the Eastern District of New York, Central Islip (the "Bankruptcy Court") entered an order confirming the plan of reorganization (the “Plan”) of Boundless and three of its subsidiaries, Boundless Technologies, Inc., ("Technologies"), Boundless Manufacturing Services, Inc. (“Manufacturing”) and Boundless Acquisition Corp. (a non-operating subsidiary) (collectively, the "Debtors"). On June 9, 2006 the order confirming the plan of reorganization became effective.

Pursuant to the Plan, all assets of the Debtors, if any, not owned by Technologies were transferred to Technologies and any and all liabilities of the Debtors, including guarantees, were assumed by Technologies or canceled. On the Effective Date, the Company transferred all of the capital stock of Technologies to Vision Technologies, Inc. and Boundless Manufacturing Services, Inc. and Boundless Acquisition Corp. were dissolved.

On the Effective Date, Boundless was authorized to issue one hundred million (100,000,000) shares of common stock, $.01 par value (the “Common Stock") of which 4,000,000 shares were issued under the Plan. Under the Plan, each holder of allowed unsecured claims against Boundless received his pro rata share of one million nine hundred sixty thousand shares of Boundless’ Common Stock, which shares were issued under Section 1145 of the Bankruptcy Code. Vision Technologies, Inc. received 2,040,000 shares of the Company’s outstanding Common Stock, which shares were also issued under Section 1145 of the Bankruptcy Code.

Since the Effective Date, Boundless has been seeking to acquire an interest in an operating company which desires to become a public company. Boundless has made such an acquisition which is the primary subject discussed in this Form 8-K filing.

Section 1 - Registrants' Business and Operations

Item 1.01 Entry into a Material Definitive Agreement.

Reference is made to the disclosure set forth under Items 2.01 and 8.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

As more fully described in Item 2.01 below, effective December 15, 2006, Boundless Corporation a Delaware corporation ("Boundless"), entered into an Exchange Agreement ("Exchange Agreement") with Jilin City Haitian Business Consulting Co., Ltd. ("Haitian Consulting"), a limited liability company under the laws of the People's Republic of China (the "PRC"), Jilin Haitian Industrial Company Limited ("Haitian"), a limited liability company formed under the laws of the PRC, Advancetech Global Limited ("Advancetech BVI"), an International Business Company incorporated in the British Virgin Islands, and each of the members of Advancetech BVI (the "Advancetech BVI Members"). Under the terms of the Exchange Agreement, Boundless will, at closing, acquire all of the outstanding capital stock and ownership interests of Advancetech BVI (the "Interests") from the Advancetech BVI Members, and the Advancetech BVI Members will contribute all of their Interests in Advancetech BVI to Boundless. In exchange, Boundless will issue to the Advancetech BVI Members 30, 600,000 shares of Boundless Common Stock and to Global Access Ventures, LLC ("Global"), 5,400,000 shares of Boundless Common Stock in connection with services rendered to Advancetech BVI, Haitian Consulting and Haitian, in connection with the exchange of shares effected under the Exchange Agreement (hereinafter, the "Exchange Transaction") and other related matters.

Advancetech BVI currently owns all of the registered capital of Haitian Consulting, a wholly foreign owned enterprise ("WFOE") registered under the wholly foreign-owned enterprises laws of the PRC. Prior to the closing of the Exchange Transaction, Haitian Consulting and Haitian entered into an Exclusive Business Consulting Agreement ("Consulting Agreement"), an Operating Agreement ("Operating Agreement") and an Technology Consulting Services Agreement ("Technology Agreement") (collectively, theses agreements are referred to herein as the "Restructuring Agreements"). Under the Restructuring Agreements, Haitian Consulting has agreed to advise, consult, manage and operate Haitian's business, to provide certain financial accommodations to Haitian, and to provide certain technology consulting services to Haitian for use in its business, in exchange for Haitian's payment of all of its Operating Cash Flow (as defined in the Restructuring Agreements) to Haitian Consulting.

Prior to closing of the exchange transaction, each of the holders of all of the registered capital of Haitian granted Haitian Consulting the exclusive right and option to acquire all of their registered capital of Haitian ("Option Agreement") and will further authorize Haitian Consulting to vote the registered capital of Haitian and to act as the representative for such holders in all matters respecting Haitian's registered capital ("Authorizations").

On consummation of the Exchange Transaction, Advancetech BVI became a wholly-owned subsidiary of Boundless.

The Restructuring Agreements, Option Agreement and Authorizations are included as Exhibits 10.1 through 10.6 to this Report, and are hereby incorporated by this reference.

As a result of the closing of the exchange transaction described below, Advancetech Global Limited ("Advancetech BVI"), an International Business Company incorporated in the British Virgin Islands, became a wholly-owned subsidiary of Boundless. Advancetech BVI, in turn, owns all of the registered capital of Jilin City Haitian Business Consulting Co., Ltd., a wholly foreign owned enterprise ("WFOE"), registered under the wholly foreign-owned enterprises laws of the PRC.

Section 2 - Financial Information

Item 2.01 Completion of Acquisition or Disposition of Assets.

As described in Item 1.01 above on December 15, 2006, Boundless entered into an Exchange Agreement with Haitian Consulting, Haitian, Advancetech BVI and each of the Advancetech BVI Members. The closing of the transactions contemplated by the Exchange Agreement (the “Closing”) occurred on December 15, 2006, simultaneous with the signing of the Exchange Agreement. At the Closing, pursuant to the terms of the Exchange Agreement, Boundless acquired all of the outstanding capital stock and ownership interests of Advancetech BVI (the “Interests”) from the Advancetech BVI Members, and the Advancetech BVI Members contributed all of their Interests in Advancetech BVI to Boundless. In exchange, Boundless issued to the Advancetech BVI Members 30,600,000 shares of Boundless Common Stock issued under the Exchange Agreement, par value $0.01 per share, which represents 76.5 of the issued and outstanding shares of Boundless on the Closing. Boundless also issued 5,400,000 shares of Boundless Common Stock to Global in connection with services rendered to Haitian, Haitian Consulting and Advancetech BVI in connection with the Exchange Transaction and certain related matters. The issuance of the Boundless Common Stock to the Advancetech BVI Members and to Global is intended to be exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Section 4(2) thereof.

At the Closing, Advancetech BVI became a wholly-owned subsidiary of Boundless. Advancetech BVI, in turn, owns all of the registered capital of Haitian Consulting, a wholly foreign owned enterprise (“WFOE”) registered under the wholly foreign-owned enterprises laws of the PRC.

Except for the Exchange Agreement and the transactions contemplated by that agreement, neither Boundless, nor its director and officer, had any material relationship with Advancetech BVI, any of the Members of Advancetech BVI, Haitian or Haitian Consulting.

Boundless is presently authorized under its Articles of Incorporation to issue 100,000,000 shares of common stock, par value $0.01 per share. As of the Closing of the Exchange Transaction, Boundless had 40, 000,000 shares of common stock issued and outstanding.

Effective as of the Closing, Joseph Gardner, the existing director of Boundless adopted resolutions increasing the size of the Board of Directors to five, and the following directors of Boundless were appointed: Wang Xijun, Jin Yuanjie, Xie Jianhua, and Steven Weissman. Mr. Gardner will continue to serve as a director of the Company. Mr. Wang Xijun serves as the Chairman of the Company’s Board of Directors.

Also effective as of the Closing of the Exchange Transaction, the existing officer of Boundless resigned, and the following officers were appointed by the newly constituted Board of Directors: Wang Xitian, Jin Yuanjie, Cheng Xianqi, Song Delong and Xie Jianhua.

The resumes of Boundless’ Directors and Officers are included later in this Item 2.01 under the caption “Directors and Executive Officers, Promoters and Control Persons”.

In May 2005, Haitian entered into an agreement with Global, pursuant to which Global was compensated by Haitian for its advisory services rendered to Haitian, and its affiliates, in connection with the Exchange Transaction and other related matters. The fees payable to Global under that agreement is $300,000. Global has also received 5,400,000 shares of Boundless’ Common Stock in consideration for these services. A copy of the Haitian Global Agreement is attached hereto as Exhibit 10.7.

As used in the remainder of this report, unless the context otherwise requires, the words “we”, “our” and “us” and words of similar import refers to Boundless and each company affiliated with it after the closing of the Exchange Transaction. Since virtually all of our assets and operations are located in the PRC and are conducted through Haitian, the discussions of our business and the risks we face and our historic economic performance, which are subsequently presented in this Form 8-K, relate primarily to Haitian.

BUSINESS

Haitian was organized as a limited liability company in China on March 4, 1999. From 1999 until 2002, there were no business activities. By September of 2003, Haitian’s management decided to construct a new facility to manufacture Tert-Dodecyl Mercaptans (“TDDM”), a fine chemical product mainly used as molecular weight regulator during the polymerization process of synthetic rubber, resins and high impact polystyrene.

On December 3, 2004, Haitian, jointly with certain minority investors, organized Jilin Xinlong Chemical Co., Ltd. (“Xinlong”) as a limited liability company in China. Haitian owned 73.45% of the outstanding shares of Xinlong on its formation. Haitian now owns 94.62% of the outstanding shares of Xinlong as a result of increased capital contributions made during 2005. Xinlong’s minority shareholders include Wang Xijun, the brother of Wang Xitian, the largest beneficial shareholder of Haitian, their father, Wang Decai, Song Delong, an executive officer and director of Haitian and one other individual. Each of the individuals who own shares in Xinlong also are shareholders in Haitian. Xinlong was organized to construct Haitian’s new manufacturing facility (the “Xinlong Facility”) and to acquire the equipment to be used in the production of TDDM.

TDDM is a fine chemical product that is mainly used as a regulator of molecular weight during the manufacture of ABS resin, PVC (Vinylite, a synthetic resin used in many products), SBR (styrene-butadiene rubber, a synthetic rubber), NBR (nitrile-butadiene rubber, a synthetic rubber), and M-HIPS (high impact poly styrene, a resin often used in household electrical appliances), and as raw materials for certain pesticides, germicides and perfumes. While TDDM is also used as a stabilizer and antioxidant in the manufacture of polyolefin products such as polyvinyl chloride and polyethylene, in China it is most often used as a polymerization regulator of molecular weight in the manufacture of ABS resin.

ABS resin (*Acrylonitrile Butadiene Styrene*) is a common engineering thermoplastic used to make light, rigid, molded products such as pipes, golf club heads (used due to its shock absorbance properties), automotive body parts, protective head gear, and toys including Lego bricks. Generally, automotive parts, tools and electronics appliances are the main product applications for ABS resin in China.

In the past few years, domestic consumption of ABS resin in China has grown from approximately 1.43 million tons in 2000, to approximately 1.5 million tons in 2001, to an estimated 1.6 million tons in 2005. In contrast, Chinese domestic production of ABS resin has satisfied only a small portion of the demand. Since 1997, China has been importing more than 1 million tons of ABS resin every year. Due to these market demands, Chinese domestic manufacturers are working on expanding the production capacity of their ABS production facilities.

Due in part to increasing demand for ABS resin in China, the demand for TDDM, one of the key raw materials needed to manufacture ABS resin, has also been increasing during the last ten years. Demand for TDDM in China is estimated to have been 1,700 tons in 1995, 3,000 tons in 1999, 5,000 tons in 2003 and 6,500 tons in 2005. Approximately 80% of China’s TDDM requirements have historically been satisfied by imports due to inadequate domestic supply.

In September, 2001, Jilin Jihua Jiangnan Engineering Design Co., Ltd. (“JEDC”), an indirect subsidiary of China National Petroleum Corporation (“CNPC”), which is owned by the People’s Republic of China, completed a Feasibility Study and Report for Haitian’s TDDM project which provided a comprehensive analysis of the potential of the project, including the size of the market for TDDM in China, plant location, production scales, technology studies, raw materials supplies, construction and equipment installation plans, plant operation analysis, energy saving alternatives, environmental protection issues, labor availability, insurance needs, safety and sanitation issues, plant organization, capital needs and financial analysis and other relevant subjects.

Based on their analysis of available information, including the report issued by JEDC , the management of Haitian decided that the growing market for TDDM in China presented a significant opportunity for Haitian. Based on that analysis, Haitian began planning to construct the Xinlong Facility to produce TDDM.

Due to increased domestic demand for ABS resin in China, Jilin Petrochemical Company, PetroChina Company Limited (“JPC”), the largest ABS resin manufacturer in China has begun construction of a new ABS resin plant. JPC is an indirect subsidiary of CNPC . JPC has produced 460,000 tons of ABS resin annually from 2002 through 2005. JPC’s new ABS resin production facilities are being constructed in the Longtan Development District Area, Jilin City, China where its existing plant is located. This plant will be located on property adjacent to the Xinlong Facility. Construction began in 2004 and is expected to be completed by 2008.

Haitian’s management believes that on completion of JPC’s new plant, it will require 5,000 tons of TDDM annually to support its production of ABS resin. JPC’s requirements for TDDM prior to completion of its new facility will be somewhat less than that amount. Haitian’s management also believes that due to its proximate location, Xinlong will be JPC’s supplier of choice for TDDM. Given JPC’s estimated requirements for TDDM and the estimated requirements from other domestic ABS producers, Haitian believes the total Chinese domestic demand for TDDM will approximate 15,000 tons within several years. The annual production capacity of the Xinlong Facility is expected to initially approximate between 2,900 and 3,000 tons when the plant becomes fully operational. The designed production capacity for the Xinlong Facility is approximately 6,000 tons; and expansion could increase the capacity to approximately 10,000 tons.

Haitian decided to construct the Xinlong Facility in September 2003 and Xinlong, was incorporated on December 3, 2004 to construct the plant, acquire the necessary equipment and ultimately to operate the facility. The Xinlong Facility’s construction was substantially completed in the fourth quarter of 2005. Trail production tests began in December 2005. Haitian’s management expects the Xinlong Facility to realize its full operation in the fourth quarter of 2006.

TECHNOLOGY

The production technology used by Xinlong in the production of TDDM (the “JICT Technology”), was developed and patented by the Jilin Institute of Chemical Technology(“JICT”), which has been engaged in synthesized TDDM research since 1996. This organization is one of the most renowned chemical research academic organizations in China. This technology uses solid acid as catalyst, fixed bed catalystic reactors and continuous synthesis technology. Compared with production methods used by other manufacturers in China, Haitian’s management believes this new technology generates less pollution (meeting PRC environment protection requirements), at lower cost with less interruption in the manufacturing process. Haitian’s management also believes, that the quality of TDDM products produced using this process will compare with that of imported TDDM products from international manufacturers and be of much higher quality than TDDM produced in China. The JICT Technology was satisfactorily tested by CNPC Jilin Chemical Corporation , a direct subsidiary of CNPC and was subsequently issued a technology achievement certificate by CNPC.

JICT signed an agreement to transfer the exclusive right to use the technology for a ten year period to Haitian for a consideration of approximately US$109,000. After the initial ten year period, Haitian’s rights will no longer be exclusive. The technology was subsequently transferred to the Chairman of the Board of Directors of Haitian, Xitian Wang, who was then its sole proprietor. In April 2004, the technology, valued at that time at approximately US$725,000, was transferred by Mr. Wang to Haitian in consideration for additional capital stock in Haitian. Haitian’s engineers have been investigating ways to enhance this technology and Haitian believes that have improved the technology developed by JICT. Haitian intends to continue its research and development efforts and to continue to incorporate technology enhancements into its manufacturing process.

QUALITY ADVANTAGES

Due to the use of the JICT Technology, improved production methods, advanced production control systems and professional production management and operations teams, Haitian’s management believes the quality of Haitian TDDM products will reach international standards and be vastly superior to TDDM previously produced by Chinese companies. Haitian has installed quality control systems at the plant, which monitor the performance of the equipment, the production process and the software utilized during the production process. Haitian’s automatic control equipment has been designed by Zhejiang Province University in China. The appropriate staff at the plant has been trained to utilize the quality control systems and Haitian’s employees receive periodic training. Because the plant is newly constructed and uses advanced technology as compared to that currently existing in China, Haitian believes that it has substantial competitive quality advantages over its Chinese competitors.

RAW MATERIALS

The primary raw materials used for TDDM production include dodecylene (coarse), dodecylene (fine), sulphur, hydrogen, liquid alkali and chemical catalysts. Dodocylene has been in short supply from time to time and its price has increased due to market demand. We expect the main suppliers of dodecylene (coarse) and dodecylene (fine) will be Beckmann Chemical Company of Germany, FRP Service & Company of Japan and Chevron Oronite Company, LLC. Haitian expects to purchase the necessary chemical catalysts, which have been in short supply from time to time with significant price fluctuations, from JICT and has entered into a contract with the institute to that end. The contract provides fixed pricing so that Haitian does not expect to be significantly impacted by market driven price fluctuations. Other raw materials required to manufacture TDDM are available from chemical companies within Jilin Province, located within several hours driving distance. Haitian believes that generally there is ample supply of raw materials available in reasonable proximity to the Xinlong Facility at competitive prices. However, shortages may exist from time to time, and prices may fluctuate due to market conditions. Haitian’s business could be negatively affected due to such shortages or market driven price increases for raw materials.

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PRICE ADVANTAGES

A substantial portion of the demand for TDDM in China has been satisfied by imports from Japan, the United States, Germany, France and South Korea due to the inadequate domestic supply. The price of imported TDDM remains high because of transportation costs, insurance and applicable tariffs. Imported TDDM is currently priced at approximately $3,000 per ton. Haitian expects to establish it's pricing for TDDM below this market and once in full operation to operate profitability at the prices it establishes. Given the advantages inherent in the JICT Technology, product quality, lower transportation costs, access to the market and availability of raw materials, Haitian believes that the TDDM it produces will have price advantages over imported TDDM and that competition from domestic sources is limited.

TAXES

Local companies in China are generally subject to state enterprise income tax and local income tax at the applicable tax rates of 30% and 3%, respectively, on taxable income reported in the statutory financial statements that are prepared in accordance with generally accepted accounting principles in PRC. As a foreign owned enterprise, Haitain Consulting may be able to apply for an exemption from income tax for two years and a 50% income tax reduction for the succeeding three years, commencing with the first year which is profitable.

There are many special economic and technological development zones where companies operating there will be taxed at a lower rate. Provincial and local governments may waive the local income taxes and even give other preferential treatment or rebates to encourage investments in their area. Since it is operating in the Jilin Longtan Development zone, which has been designated as a tax incentive geographical area, the Company is entitled to a complete exemption from income taxes in China for a three-year period and a 50% exemption for the fourth and fifth years. Haitian will also be subject to a value added tax in China at the rate of 17%.

COMPETITION

Due to the problems with the technology historically used by manufacturers in China to manufacture TDDM, there are few Chinese chemical companies engaged in the production of TDDM currently in China. The main international TDDM providers are based in Japan, South Korea, United States, Germany and France. There have historically been three major TDDM manufacturers in China, i.e., Weishan County Petrochemical Auxiliary Factory, Suiling Chemicals Co. Ltd. , and Shandong Xingwu Group.

Other than Shandong Xingwu Group, each of these companies has either stopped or substantially curtailed production, either voluntarily or due to government mandate, due to environmental problems. Shandong Xingwu Group produces approximately 1,000 tons of TDDM annually, which Haitian believes is of lesser quality than its TDDM and which is mostly sold to Chevron Phillips Chemical Company, LLC (United States).

Haitian expects its most significant international competitor to be from Union Carbon Corporation (France), Chevron Phillips Chemical Company, LLC (United States), Bayer Group (Germany) and Daewoo International Corporation (South Korea). Xinlong believes it has substantial advantages over international competition in the Chinese market place, due to among other advantages, lower transportation costs, favorable pricing and faster delivery times.

ENVIRONMENTAL ISSUES

Environment protection issues in Jilin City is monitored and managed by the Jilin Environmental Protection Bureau. It is a subsidiary department of the State Environment Protection Administration, PRC, and it reports to national and provincial offices. Haitian has been certified by the Jilin Environmental Protection Bureau as satisfying national standards, and has secured all required environmental approvals.

The technology used at the plant allows for compliance with environmental standards in China without significant expense. For example, there is no need for a special water wash process to monitor water and its release. The main waste water from operation of the plant results from washing and cleaning and can be released into the main water line. The only significant contaminants from the production process results from waste activators which contaminants will be delivered to JPC for disposition.

GOVERNMENT REGULATION

All significant government approvals relating to Haitian and its operations have been secured, including the following: business license (from the Industry and Commerce Administrative Bureau of Jilin City); national organization code certificate (the Technology Supervision Bureau of Jilin City); tax registration certificate (Longtan Branch of Jilin City National Tax Bureau, Longtan Branch of Jilin City Local Tax Bureau); permit for opening a bank account (the People’s Bank of China); state-owned land use certificate (the Land and Resources Administrative Bureau of Jilin City); environmental protection assessment approval (State Environment Protection Administration of China “SEPA”); statement of opinions on location of the construction project (Jilin City Construction Planning Bureau); permit for a planned construction; (Urban Planning Bureau of Jilin City); permit for the planned use of land for construction (Urban Planning Bureau of Jilin City); construction permit for the construction project (Construction Administration Bureau of Longtan Development Area of Jilin City) and statement of opinions on fire prevention acceptance check of the construction project (Jilin City Public Security Fire-Protection Sub-Brigade). Several minor approvals are pending, which will not affect the operations of the Xinlong Facility.

PLANT AND EQUIPMENT

Haitian’s facilities are located in Bajiazi County, Longtan Development Area, Jilin City, Jilin Province, in China. Construction of the plant which began in 2003 was substantially completed during the fourth quarter of 2005. Trail production tests commenced in December 2005. Haitian’s management expects the Xinlong Facility to be in full operation in the fourth quarter of 2006.

The land on which the real estate projects are set up cannot be owned by companies or individuals in the PRC. However, the Land and Resources Administration Bureau in Longtan Development Area, Jilin City, Jilin Province, granted Haitian the right to use the land on which the Plant is located, for a fifty (50) year period. This period commenced on March 12, 2003, when construction began. Haitian’s management believes that according to the provisions of the Interim Regulation of the PRC Concerning the Assignment and Transfer of the Right to the Use of State Owned Land in the Urban Areas, new using rights of the land will be granted by the Land and Resources Administration Bureau of Jilin City upon the expiration of current land use certificate, although the conditions for the extended right of use are not certain now; and certain fees or other conditions may apply in consideration for extending these agreements.

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The buildings and equipment to be used by Haitian in manufacturing chemicals and related operational activities are owned by Haitian. Haitian's plant and related facilities includes eight buildings. The total real estate occupied by Haitian is approximately 31,200 square meters and the aggregate gross floor area of the buildings is approximately 10, 368 square meters. The main production plant is contained in a building with a gross floor area of 3,720 meters. Substantially, all the manufacturing processes for the production of TDDM are contained in this building. The facilities also include an office building of 2,632 square meters gross floor area which houses the production and sales management offices, as well as conference rooms, research and development functions and an employee cafeteria. Other buildings are used for package and storage of finished products, storage of raw material, garage and transportation, and technical support in the manufacturing process.

During the period from 2003 through December 31, 2005, Haitian has been acquiring the production and office equipment necessary for it to operate the business to support administrative services. Haitian's production equipment includes five reactors used for the production of TDDM, eighty-nine sets of containing jars used for the storage of raw materials and finished products, twenty-eight heat exchangers, ten separation towers used for distilling, separating and purification of raw materials, nine sets of air compressors, sixty-nine sets of pumps, used for transportation of air and liquid as well as an hydrogen generator, a nitrogen generator, a catalyst generator and an automatic production system used for the automatic monitoring and controlling of the production process. Haitian also has acquired computers and equipment necessary to support sales and administrative tasks.

EMPLOYEES

The Company currently has 201 full-time employees. Included in this total are 5 individuals involved in sales and marketing, 103 individuals not including supervisors, involved in production, 64 individuals involved in administrative services and 29 key supervisors and executive officers. The Company believes they have the continuing ability to attract and retain highly qualified scientific and management personnel. However, competition for such personnel is intense and will likely increase as China's economy grows. There is no assurance that key employees can be retained or that other highly qualified technical and managerial personnel can be retained.

The Company's employees are represented by a labor union. The Company has not experienced any work stoppages and considers its relations with its employees to be good.

FACILITIES

Haitian occupies approximately 31,200 square meters of real property located in Longtan Development Area, Jilin City PRC. The facilities provide 10, 368 square meters of gross floor area and is composed of eight buildings used for the production of TDDM and related operational activities. The Company also occupies an office building, also located in the Longtan Development Area, which provides approximately 3,375 square meters of office space. This office facility is owned by Mr. Wang Xitian, the largest beneficial owner of the Company's Shares and the Chairman of its Board of Directors and Chief Executive Officer, who allows the Company to use the facility without charge. The Company pays utilities and other expenses with respect to this facility. The Company believes that it has sufficient facilities available to conduct this business for the foreseeable future.

STRATEGY

The Company expects the plant to be fully operational commencing in the fourth quarter of 2006. Its initial capacity will approximate 2,900 to 3,000 tons of TDDM per annum. As sales increase, the Company plans, depending on available resources, to extend its annual capacity to 6,000 tons of TDDM, which increase in capacity is estimated to cost between $3,500,000 and $4,000,000 in additional financing. In addition, the Company expects to sell a substantial portion of the TDDM produced at the Xinlong Facility initially to JPC. However the Company has initiated sales efforts to secure sales from other Chinese concerns as well and the Company has received favorable responses from over 30 potential customers. In the long term, the Company would like to add production lines for additional products. Doing so will require substantial additional cash investments which there can be no assurance will be available to the Company. Investigation of potential additional products has already commenced.

SALES AND MARKETING

Haitian expects that its initial sales will be to concerns in China, which acquire TDDM for use in the production process for ABS resin. Initially, the Company expects most sales will be to JPC, located adjacent to its plant. Haitian intends to expand its marketing efforts to other manufactures in China and will initially focus on the Chinese marketplace. The Company intends to develop distribution channels in China to implement this plan and has begun sales and marketing efforts. Sales efforts are already underway and the Company has received favorable responses from over 30 potential customers. The Company has received responses and expressions of interest by email, phone, fax, and letters of intent, which if followed by binding orders, are expected to allow the Xinlong Facility to operate at full capacity.

PATENTS AND TRADEMARKS & LICENSES

Haitian has no patent and trademarks as of this date. It has licensed, on an exclusive basis for a ten year period, certain patented technology from JICT, which technology is utilized in the production process at the Xinlong Facility. See the discussion under the Section entitled “Technology”.

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below before making a decision to buy our common stock. If any of the following risks actually occurs, our business could be harmed. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should also refer to the other information in this report, including our financial statements and the related notes. Except for historical information, the information in this report contains "forward-looking" statements about our expected future business and performance. Our actual operating results and financial performance may prove to be very different from what we have predicted as of the date of this prospectus. The risks described below address some of the factors that may affect our future operating results and financial performance.

RISKS RELATED TO OUR FINANCIAL CONDITION

WE NEED SIGNIFICANT INFUSIONS OF ADDITIONAL CAPITAL, WHICH MAY RESULT IN DILUTION TO OUR SHAREHOLDERS' OWNERSHIP AND VOTING RIGHTS IN OUR COMPANY.

Based upon our current cash reserves and forecasted operations, we believe that we will need to obtain at least $ 1,230,000 of outside funding to provide the working capital necessary to open and sustain operations at the Xinlong Facility over the next twelve months, and at least another $1,230,000 million of funding in order to fund future operations in the future. Our need for additional capital to finance our business strategy, operations, and growth will be greater should, among other things, revenue or expense estimates prove to be incorrect. If we fail to arrange for sufficient capital in the future, we may be required to reduce the scope of our business activities until we can obtain adequate financing. The largest beneficial owner of our common stock, Wang Xitian has indicated his intent to make advances to the Company to fund operations during the next 12 months, if alternating sources are not available. However, Mr. Wang is not contractually bound to do so. We may not be able to obtain additional financing in sufficient amounts or on acceptable terms when needed, which could adversely affect our operating results and prospects. Debt financing must be repaid regardless of whether or not we generate profits or cash flows from our business activities. Equity financing may result in dilution to existing shareholders and may involve securities that have rights, preferences, or privileges that are senior to our common stock.

RISKS RELATED TO OUR BUSINESS

WE (HAITIAN) ARE A DEVELOPMENT STAGE COMPANY AND HAVE A LIMITED OPERATING HISTORY UPON WHICH AN EVALUATION OF OUR COMPANY CAN BE MADE. FOR THAT REASON, IT WOULD BE DIFFICULT FOR A POTENTIAL INVESTOR TO JUDGE OUR PROSPECTS FOR SUCCESS.

We were organized in April 1999 and have had limited operations since our inception from which to evaluate our business and prospects. Most of our activities have been centered on the construction of the Xinlong Facility and related financing and other start-up activities. We have had no revenue to date. There can be no assurance that our future proposed operations will be implemented successfully or that we will ever have profits. If we are unable to commence and sustain our operations, our shareholders may lose their entire investments. We face all the risks inherent in a new business, including the expenses, difficulties, complications and delays frequently encountered in connection with conducting operations, including capital requirements and management's potential underestimation of initial and ongoing costs. As a new business, we may encounter delays and other problems. We also face the risk that we will not be able to effectively implement our business plan. In evaluating our business and prospects, these difficulties should be considered. If we are not effective in addressing these risks, we will not operate profitably and we may not have adequate working capital to meet our obligations as they become due.

WE (HAITIAN) EXPECT TO INITIALLY SELL SUBSTANTIALLY ALL OF THE TDDM WE MANUFACTURE TO ONE CUSTOMER.

Once the Xinlong Plant is fully operational we expect to initially sell 100% of the TDDM we produce to JPC. We have an agreement in principle in this regard with JPC but not a binding contract. If we do not consummate this relationship, we will have difficulties establishing relationships with new customers in the short term which would have a substantial negative impact on our business. Further, our dependence on one customer could make it difficult to negotiate attractive prices for our product and with other potential customers. Even as our customer base increases over time, we expect our customer base to remain limited give the nature of TDDM and the limited number of customers in our primary market place, China. We are also subject to additional risks of such a concentrated customer base to the extent such customer does not make timely payments or any payments at all. In order to mitigate these risks, we have commenced marketing TDDM to other customers and have received positive responses from over thirty potential customers. However, we have no assurance that any of these potential customers will acquire TDDM from us. In any event, we will provide priority to JPC and expect that most of our initial production will be dedicated to JPC.

THE LOSS OF OUR (HAITIAN'S) CURRENT MANAGEMENT TEAM COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS. IF WE ARE NOT ABLE TO RETAIN ADDITIONAL KEY PERSONNEL, OUR BUSINESS COULD SUFFER.

Our success depends to a large degree upon the skills of our current management team and advisors, including Mr. Wang Xitian , and to a lesser extent, Song Delong, and Yu Zhongzhou, and upon our ability to identify, hire, and retain additional senior management, sales, marketing, scientific, and financial personnel. Although, to date we have not experienced problems attracting and retaining key personnel, we may encounter such problems in the future as we grow and expand our operations. The loss of any of our current executives, employees, or advisors or the failure to attract, integrate, motivate, and retain additional key employees could have a material adverse effect on our business. To our knowledge, none of our key employees has plans to retire or leave us in the near future.

WE (HAITIAN) DEPEND ON ONLY ONE FACTORY TO MANUFACTURE OUR PRODUCTS.

We conduct all of our operations from one factory in Jilin City, China. Any disruption of the operations in the factory could have a negative impact on our business. We currently do not maintain property insurance to protect against damage and loss of our manufacturing facility, machinery and other leasehold improvements. Therefore any material damage to, or the loss of, the factory due to fire, severe weather, flooding or other cause, would likely have a material adverse effect on our financial condition, business and prospects.

THE FAILURE TO MANAGE GROWTH EFFECTIVELY COULD HAVE AN ADVERSE EFFECT ON OUR (HAITIAN'S) BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

If we are successful in obtaining rapid market growth for the TDDM we manufacture, we will be required to deliver large volumes of quality products to what we expect will be initially one and then other customers on a timely basis at a reasonable cost to those customers. Such demand can also create working capital issues for us, as we need increased liquidity to fund purchases of raw materials and supplies. We cannot assure, however, that business will rapidly grow or that our efforts to implement and expand manufacturing and quality control activities will be successful or that we will be able to satisfy commercial scale production requirements on a timely and cost-effective basis. We will also be required to continue improving our operations, management and financial systems and controls. The failure to manage growth effectively could have an adverse effect on our business, financial condition and results of operations.

WE (HAITIAN) DEPEND ON A FEW SUPPLIERS AND ANY DISRUPTION WITH OUR SUPPLIERS COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS.

We depend on a few suppliers for the raw materials necessary to manufacture TDDM, and any disruption with those suppliers could have an adverse effect on our business. We have developed relationships with a single or limited number of suppliers for materials that may or may not be otherwise generally available and are at times in short supply. These relationships are evolving and we do not have written contracts with key suppliers requiring them to sell raw materials to us. The competition for these raw materials may be intense and we may not be able to satisfy our needs from the suppliers we have contacted to date. Although we believe that alternative suppliers are available to supply materials, any interruption in the supply from any supplier or delays in developing relationships with additional suppliers could delay product shipments and adversely affect our relationships with our customers.

WE (HAITIAN) CANNOT CONTROL THE COST OF OUR RAW MATERIALS WHICH MAY ADVERSELY IMPACT OUR PROFIT MARGIN AND FINANCIAL POSITION.

The main raw materials for our products are dodecylene (coarse) and dodecylene (fine), sulfur, hydrogen, alkali liquid and chemical catalysts. We expect the main suppliers of dodecylene (coarse) and dodecylene (fine) will be Beckmann Chemical Company of Germany, FRP Service & Company of Japan and Chevron Oronite Company, LLC of the United States. The prices for our raw materials are subject to market forces largely beyond our control, including energy costs, market demand, and freight costs. The prices for these raw materials may vary significantly in the future. We may not be able to adjust our product prices, especially in the short term, to recover the increased costs in these raw materials. Our future profitability may be adversely affected to the extent we are unable to pass on higher raw material and energy costs to our customers. Further, the quality of the raw materials is also beyond our control. If the quality of these raw materials is poor, it could have an adverse effect on our business.

OUR (HAITIAN'S) BUSINESS IS HIGHLY DEPENDENT UPON PROPRIETARY TECHNOLOGIES.

Our business is highly dependent upon proprietary technologies developed and patented by JICT. While this technology has been satisfactorily tested, to date it has not been used in full scale production. If this technology does not perform as expected our business would be adversely affected. Also, our success depends on the knowledge, ability, experience and technological expertise of our employees. There can be no assurance they will operate the Xinlong Plant capably. Our use of the JICT technology is only exclusive for a 10-year period, after which JICT may license the technology to our competitors. We have enhanced the JICT technology and intend to continue to do so. However, we cannot guarantee that competitors will not independently develop or patent technologies that are substantially equivalent or superior to the JICT technology as enhanced by us or that JICT will protect the proprietary rights that it holds with respect to the technology.

OUR (HAITIAN'S) HOLDING COMPANY STRUCTURE CREATES RESTRICTIONS ON THE PAYMENT OF DIVIDENDS.

Our holding company structure creates restrictions on the payment of dividends. We have no direct business operations, other than our relationship with Haitian through the "Exclusive Business Consulting Agreement", the "Technology Consulting Services Agreement" and the "Operating Agreement". While we have no current intention of paying dividends, should we decide in the future to do so our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from Advancetech BVI. In addition, Haitian, our operating subsidiary, from time to time, may be subject to restrictions on its ability to make distributions and/or other payments, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions. If future dividends are paid in Renminbi, fluctuations in the exchange rate for the conversion of Renminbi into U.S. dollars may adversely affect the amount received by U.S. stockholders upon conversion of the dividend payment into U.S. dollars.

THE CHEMICAL BUSINESS IS HIGHLY COMPETITIVE.

Despite having advanced technology and producing high quality TDDM, we face limited competition from domestic competitors in China and significant competition from multinational chemical manufacturers, primarily in Japan, South Korea, the United States, France and Germany. Competition is based on a variety of factors including maintenance of product quality, competitive pricing and delivery efficiency. Many of our competitors are much larger than we are and have significantly greater economic and other resources available. We expect our most significant competition to be primarily from Shangdong Xingwu Group (China), Union Carbon Corporation (Japan), Autofina Chemicals, Inc. (France), Chevron Phillips Chemical Company, LLC (United States), Bayer Group (Germany), and Daewoo International Corporation (South Korea). If their numbers increase significantly, our sales and profits may be adversely affected. Qualities of imported products are generally higher and more stable than domestic Chinese TDDM.

WE (HAITIAN) MAY NOT BE SUCCESSFUL IN DEVELOPING AND INTRODUCING NEW PRODUCTS.

Since we will initially manufacture TDDM only and expect to sell it exclusively in China, our success will depend on the demand for TDDM by JPC in particular and in China in general, which will depend on factors beyond our control. If market demand for TDDM or the prices we can change for this product is not sufficient for us to operate profitably, we may need to produce different or additional products. We are currently investigating the manufacture of additional products. However, doing so will require substantial additional financing which we may be unable to secure. We cannot guarantee that any attempt we make to manufacture new products will be successful. If any such attempt fails, we may be unable to operate profitably.

WE (HAITIAN) MAY BE UNABLE TO COMPETE SUCCESSFULLY WITH INTEGRATED AND LARGER COMPETITORS.

We compete with some of the world’s largest chemical companies, most of who are engaged in much broader businesses and supply significant portions of the raw materials they need to produce TDDM. We do not make any of the primary raw materials required for TDDM production. Consequently, our production costs can be higher than those of our competitors during periods when demand for these raw materials exceeds supply and, in more extreme cases, we may not be able to obtain these raw materials in the market at times when our competitors are supplying their own raw materials.

OUR (HAITIAN) OPERATIONS INVOLVE RISKS THAT ARE NOT COVERED BY INSURANCE OR MAY INCREASE OUR OPERATING COSTS.

A business risk inherent in all chemical operations is the potential for personal injury and property damage claims from employees, contractors and their employees and nearby landowners and occupants. Particularly accidents with respect to chemical leaks, electrical mishaps and the operation of equipment could result in severe injuries or even death to employees. In addition, some risk of environmental costs and liabilities is inherent in our operations and products. Risks of this nature that we may face include:

- pipeline leaks and ruptures, explosions and fires;
- severe weather and natural disasters;
- mechanical failures, unscheduled downtimes, labor difficulties and transportation interruptions;
- remediation complications;
- chemical spills and discharges or releases of toxic or hazardous substances or gases; and
- storage tank leaks.

Some of these events can cause bodily injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties and liabilities. We may also face expenses and liabilities as a result of past or future operations relating to these risks. Furthermore, we are subject to present and future claims with respect to workplace exposure, workers' compensation and other matters.

We are not insured against most potential hazards incident to our business. If we were to incur significant liabilities, casualty or losses it would have a material adverse effect on our business, financial condition and results of operations.

THE RESTRUCTURING AGREEMENTS MAY BE CHALLENGED BY THE PRC RENDERING THEM UNENFORCEABLE IN WHOLE OR IN PART.

In order to comply with PRC regulatory requirements, Haitian is operated by Haitian Consulting, wholly-owned foreign enterprise ("WFOE") in the PRC, which is owned entirely by our direct subsidiary based in the British Virgin Islands ("Advancetech BVI"). As a result we do not have a direct controlling ownership in Haitian. If the PRC government determines that these agreements are not in compliance with applicable regulations, our business interests in the PRC could be adversely affected. We control and operate Haitian's business through contractual arrangements between Haitian Consulting (the WFOE), Haitian and the individual owners of Haitian, but we, Haitian Consulting and Advancetech BVI do not have an equity ownership in Haitian.

More specifically, Haitian Consulting has agreed to advise, consult, manage and operate Haitian's business, to provide certain financial accommodations to Haitian, and to provide certain technology services to Haitian for use in its business, in exchange for Haitian's payment of all of its operating cash flow to Haitian Consulting. Further, each of the individual owners of Haitian have granted Haitian Consulting the exclusive right and option to acquire all of their registered capital in Haitian and have authorized Haitian Consulting to vote at any meeting or action of the owners of Haitian and to act as the representative for such owners in all matters respecting Haitian.

Although we believe we are in compliance with current PRC regulations, and have received an opinion from legal counsel in this regard, we cannot be sure that the PRC government would view these operating and contractual arrangements to be in compliance with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the f