Goldigit Atom-tech Holdings Limited
金澤超分子科技控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Listing by way of Introduction

Joint-sponsors

China Everbright Capital Limited

MasterLink Securities (Hong Kong) Corporation Limited

** for identification purpose only*

IMPORTANT

If you are in any doubt about this document, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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LISTING BY WAY OF INTRODUCTION OF
THE ENTIRE ISSUED SHARE CAPITAL
OF

GOLDIGIT ATOM-TECH HOLDINGS LIMITED
金澤超分子科技控股有限公司*

(incorporated in the Cayman Islands with limited liability)

ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock Code: 2362

Joint-sponsors

China Everbright Capital Limited **MasterLink Securities (Hong Kong) Corporation Limited**

This document is published in connection with the listing by way of introduction on the Main Board of the Stock Exchange of the entire issued share capital of Goldigit Atom-tech Holdings Limited (the "Company").

This document does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of the Company, nor have any such shares or other securities been allotted with a view to any of them being offered for sale to the public. No new shares will be issued in connection with, or pursuant to, the publication of this document.

Your attention is drawn to the section headed "Risk factors" in this document.

* *for identification only*

29th September, 2003

EXPECTED TIMETABLE

Despatch of circular, notice of the extraordinary general meeting of the Company and the related form of proxy in relation to the proposed withdrawal of listing of the Shares on GEM to the Shareholders	Monday, 29th September, 2003
Despatch of the listing document in relation to the Introduction	Monday, 29th September, 2003
Latest time for lodgement of forms of proxy for the extraordinary general meeting of the Company	10:00 a.m. Monday, 13th October, 2003
Extraordinary general meeting of the Company	10:00 a.m. Wednesday, 15th October, 2003
Announcement of results of the extraordinary general meeting of the Company to be published in The Standard (in English), in Hong Kong Economic Times (in Chinese) and on the GEM website	Thursday, 16th October, 2003
Last day of dealings in Shares on GEM	Friday, 24th October, 2003
Withdrawal of listing of Shares on GEM effective from	9:30 a.m. on Monday, 27th October, 2003
Dealings in Shares on the Main Board to commence from	9:30 a.m. on Monday, 27th October, 2003

Note: All time stated herein refer to Hong Kong local time.

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You should rely only on the information contained in this document with regard to the Company.

The Company has not authorised anyone to provide you with information that is different from what is contained in this document.

Any information not contained or representation not made in this document must not be relied on by you as having been authorised by the Company, China Everbright, MasterLink, any of their respective directors, employees, agents or advisers or any other persons involved in the Introduction.

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This summary aims to give you an overview of the information contained in this document and because this is a summary, it does not contain all information that may be important to you.

BUSINESS

The Group focuses on the development and production of the Propulsive Agent, originally invented and developed by Harbin Institute of Technology which has been solely owned by the Group since 3rd June, 2000, and the building up of its marketing networking. The Propulsive Agent is currently applied by the Group in the production of the Target Propellant New Pesticides. The Target Propellant New Pesticides that utilise the Propulsive Agent technology are more user friendly than traditional paddy pesticides, as the Target Propellant New Pesticides eliminate the use of heavy and bulky spraying equipment and can be applied to water surface by direct droplets. In addition, the Group is applying the Propulsive Agent technology to the development of a new product, mosquito terminator for urban drains, with a view to diversifying into the insecticide sector.

The Propulsive Agent technology was initially developed by Prof. Cai of Harbin Institute of Technology who is the Dean of the Environmental Protection Engineering Department of Harbin Institute of Technology and also the Dean of the Environmental Protection Engineering School of Shanghai Jiao Tong University and an executive Director.

At present, the Propulsive Agent technology is applied to two kinds of paddy pesticides which have already been launched in the market, namely Jin Ze Ling No. 1 (金澤靈1號) (formerly known as Sha Shi Ba (殺虱霸)) and Dao Ying Wen Jing (稻瘿蚊淨). The Propulsive Agent technology utilises molecular diffusion to disperse chemical ingredients of the pesticides over water surface. The major benefits of the pesticides applying the Propulsive Agent include:

(i) enhancement in utilisation efficiency;

(ii) application convenience; and

(iii) low toxicity reducing the pollution impact on the environment.

All the Propulsive Agent applied in the Target Propellant New Pesticide is produced by the Group. The manufacturing of the pesticides and the mixing of the Propulsive Agent with the pesticides are carried out by Fuzhou No. 1 Refinery which is an Independent Third Party and a state-owned enterprise. Fuzhou No. 1 Refinery is a qualified pesticide manufacturer. The Group's production facility for the production of the Propulsive Agent is located in Fuzhou, the PRC.

The Group is also engaged in the development of new products, namely 3% fipronil (3% 氟蟲腈•展膜油劑（銳勁特）), target propellant new pesticide on rice borer and mosquito terminator for urban drains, applying the Propulsive Agent technology. 3% fipronil (3% 氟蟲腈•展膜油劑（銳勁特）) and target propellant new pesticide on rice borer are expected to be launched in the market by the end of 2004 and mosquito terminator for urban drains is expected to be launched in the market in or around the third quarter of 2006.

In order to minimise the Group's concentration in the paddy pesticides sector of the pesticide industry, the Group intends to diversify its product line into the insecticide sector. The Group together with other PRC institutions is currently developing a new product, mosquito terminator, which utilises the Propulsive Agent technology. The mosquito terminator is an insecticide product to kill mosquitoes in urban drains. The feasibility study for this product has been completed and further research and development works are being conducted by Harbin Institute of Technology while testing of the product is being conducted by the Environmental Science Research Centre of Xiamen University. It is expected to be launched in the market in or around the third quarter of 2006.

In November 2001, the Group purchased a piece of land located at No. 37 Jintang Road, Jinshan Industrial Zone, Cangshan District, Fuzhou, Fujian Province, the PRC with an area of approximately 9,953 sq.m. with an intention to establish its research and development centre and production facility for the production of the Propulsive Agent. The first phase of construction of the research and development centre, with a total construction floor area of approximately 7,699 sq.m., was completed in December 2002. The research and development centre is occupied and used by the Group as its headquarters in the PRC, the research and development centre, and a whole floor of the centre is equipped with a reactor for the production of the Propulsive Agent. The second phase of the research and development centre is expected to have a total construction floor area of approximately 7,969 sq.m. and intended to be used for the purposes of research and development, and testing of products. The construction of the second phase of the research and development centre is expected to commence in the first quarter of 2004 and be completed in the second half of 2004.

The land use right certificate of the land in Jinshan Industrial Zone, Fuzhou was issued to the Group on 8th March, 2002 for industrial use and it is valid for 1 year from 8th March, 2002 to 7th March, 2003. The Group is required to apply to the relevant land registration authority for an extension annually to prevent the Group from mortgaging or selling the land before the construction is completed. On 22nd April, 2003, the land registration authority agreed in writing that the certificate is valid until construction works on the site has been completed. The Directors expect the construction to be completed by the second half of 2004. Upon completion of the construction, the relevant land authority will issue a new land use right certificate without the annual renewal condition. The PRC legal advisers to the Company confirm that there is no defect in the title of this land.

During an auction held by Fujian Oriental Action Auctioneer (福建東方拍賣行) on 18th December, 2002, the Group bid for a piece of land and buildings situated at Ma Wei District, Fuzhou, Fujian province, the PRC with a site area of 21,313.4 sq.m. at the bidding price of RMB27.5 million. The property, formerly known as the land, factory buildings and ancillary buildings of the first phase of Fuzhou Development Zone Ao Li Wei Electronic Technology Development Co., Ltd., was formerly held by Fuzhou Development Zone Ao Li Wei Electronic Technology Development Co., Ltd. (福州開發區奧力威電子科技發展有限公司) ("Ao Li Wei") which is an Independent Third Party. Ao Li Wei was engaged and lost in a lawsuit with China State Construction 7th Engineering Bureau 3rd Construction Co. (中國建築第七工程局第三建築公司) (the "Contractor") and Ao Li Wei subsequently failed to fulfill its obligation of paying the Contractor. The Fuzhou Municipal Intermediate People's Court (福州市中級人民法院) ordered to close the property and authorised Fujian Oriental Action Auctioneer (福建東方拍賣行) to sell the property by auction. Pursuant to a civil adjudgement dated 12th March, 2003, Fuzhou Municipal Intermediate People's Court (福州市中級人民法院) adjudged that the ownership of the property would be transferred to Master Tailor, effective from 24th March, 2003. Transfer of ownership over the property from the former owner to Master Tailor was made on 14th March, 2003. On 15th March, 2003, Master Tailor authorised Fuzhou Goldigit to use the property. The total consideration for the acquisition is approximately RMB35.4 million, which comprised of the bidding price and auctioneer's handling charges of RMB27.5 million and approximately RMB1.4 million respectively and the amounts of RMB27.5 million and approximately RMB1.4 million were fully paid by the Group on 17th July, 2003. The Group further paid, on 21st July, 2003, the land premium of approximately RMB5.4 million, property tax and land management fee of approximately RMB0.3

million to Fuzhou Ma Wei State-owned Land Resources Bureau (福州市馬尾區國土資源局). The remaining consideration, namely property tax of approximately RMB0.8 million, will be paid upon the issuance of the land use rights certificate. The Group and Fuzhou Ma Wei State-owned Land Resources Bureau (福州市馬尾區國土資源局) entered into an agreement to transfer land interests of the subject property on 23rd May, 2003. The Group is in the process of applying for the land use rights certificate and expects to obtain such certificate in or around October 2003. The land and buildings situated at Ma Wei District are considered not crucial to the activities of the Group as, currently there is no production carried out in the property and the Directors expect that the land and buildings situated at Ma Wei District will not be ready for operation until the fourth quarter of 2004.

Fujian Goldigit has obtained a provisional pesticide registration certificate, which is issued by the Ministry of Agriculture, for each of Jin Ze Ling No. 1 (金澤靈1號), and Dao Ying Wen Jing (稻瘿蚊淨) on 4th February, 1998 and 2nd August, 1999, respectively. These two provisional pesticide registration certificates were renewed by the Ministry of Agriculture and are valid until 13th January, 2004 and 30th June, 2004, respectively. The PRC legal advisers to the Company do not expect the Group to have any obstacles in obtaining renewal registration certificates for these two products. In addition, the Group has received a confirmation letter from the Ministry of Agriculture on 19th August, 2003 regarding the Management Provisions on Pesticide《農約管理條例》which states that the sales of Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨) made by Fujian Goldigit under their respective provisional pesticide registration certificates are legal and valid and are not restricted in any way. The Group expects to obtain the formal pesticide registration certificates for Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨) in or around May 2005.

Two pesticide production permit certificates in respect of the production for Jin Ze Ling No. 1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨) were issued in the name of Fuzhou No. 1 Refinery, an Independent Third Party and a stated-owned enterprise, which performs the manufacturing processes of pesticides and the addition of Propulsive Agent to the pesticides for the Group, on 1st March, 1998 and 1st August, 1999, respectively. The two pesticide production permit certificates expired on 1st March, 2003 and 1st August, 2002, respectively and Fuzhou No. 1 Refinery has applied for the renewal certificates for Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨) on 10th February, 2003 and 9th July, 2002, respectively. The renewal of the pesticide production permit certificate of Dao Ying Wen Jing (稻瘿蚊淨) was approved on 21st May, 2003 by the National Development and Reform Commission (國家發展和改革委員會) and issued on 22nd May, 2003. Pursuant to the public announcement published on the website of the National Development and Reform Commission (國家發展和改革委員會) on 8th September, 2003, the renewal approval of the pesticide production permit certificate for Jin Ze Ling No.1 (金澤靈1號) was granted to Fuzhou No.1 Refinery on 27th August, 2003 by the National Development and Reform Commission (國家發展和改革委員會) and the renewed pesticide production permit certificate will expire on 15th August, 2006. Fuzhou No.1 is expected to obtain the renewed pesticide production permit certificate for Jin Ze Ling No.1 (金澤靈1號) in or around September 2003.

Although the respective pesticide production permit certificates for Jin Ze Ling No. 1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨) expired and renewal certificates were not issued on time, Fuzhou No.1 Refinery has obtained a written consent from the Economic and Trade Commission of Fujian Province (福建省經濟貿易委員會), which had liaised with the National Development and Reform Commission (國家發展和改革委員會), which states that Fuzhou No.1 Refinery is allowed to carry on production under the existing pesticide production permit certificates until the receipt of the renewed pesticide production permit certificates. The PRC legal advisers to the Company opined that it is not illegal for the Economical and Trade Commission of Fujian Provincial (福建省經濟貿易委員會) to issue the written consent. Furthermore, pursuant to the opinion given by the PRC legal advisers to the Company, the Group and Fuzhou No.1 Refinery did not contravene any PRC laws and regulations in relation to products manufactured by Fuzhou No.1 Refinery and sold by the Group during the period from the expiry date of the pesticide production permit certificates for Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨) to the respective date of issue of the renewed certificates.

In terms of marketing, the Group has established a distribution network, comprising of agricultural resources companies (農資公司), agricultural protection centres (植保站) and individual agricultural supplies companies (個體農資公司).

FUTURE PLANS AND PROSPECTS

The overall business objective of the Group is to capitalise on the proprietorship and the application of the Propulsive Agent technology and become one of the leading agricultural resources providers in the PRC. In order to achieve this, the Group plans to:

- increase the sales of existing products;
- continue to develop new products;
- enhance and accelerate its research and development capacity;
- establish new production facilities;
- enhance its sales network; and
- enhance the brand name and image of its products.

PRINCIPAL STRENGTHS

The Directors believe that the Group has the following principal strengths:

- possession of the Propulsive Agent technology;
- an experienced research and development team with support from universities in the PRC;
- an effective distribution channel;
- an effective business model;
- an experienced and committed management team; and
- the ability to maintain quality of its products and offer sale support services.

RISK FACTORS

The Directors consider that there are certain risks involved in the Group's business. These risks can be categorised into (i) risks relating to the Group; (ii) risks relating to the industry; and (iii) risks relating to the PRC, which are summarised as follows:

(i) Risks relating to the Group

- Leakage or publication of confidential technical know-how
- Applications for the Group's patents may not be approved
- Unable to obtain renewed provisional pesticide registration certificates

- Loss of favourable taxation treatments
- Dependence on continuing research and development
- Sustainability of a high profit margin
- Declining profit trend
- Reliance on one processing agent
- Reliance on a limited number of suppliers
- Reliance on the PRC market
- Industry concentration
- Dependence on key personnel
- Lack of insurance coverage
- Seasonal fluctuations of sales
- Product concentration
- Uncertainty in dividend payout
- Trust agreement in respect of Fujian Goldigit
- Risks relating to the Group's future plans

(ii) Risks relating to the industry

- Competition
- Development of biotechnology on crop protection which may reduce the demand for the Group's existing products
- Natural disasters

(iii) Risks relating to the PRC

- Changes in the PRC laws and regulations which may have adverse impacts on the Group
- Government control of currency conversion and exchange rate risks

REASONS FOR LISTING ON THE MAIN BOARD

Since the listing of the Shares on GEM on 9th July, 2001, the Company has improved its public profile. The Directors consider that listing of the Shares on the Main Board will further enhance the public profile and recognition from larger institutional investors of the Company, which will be beneficial and complementary to the future growth and development of the Group and also raise the image and recognition of the Group's products which would in turn be beneficial to the Group when it conducts its business and promotes its products.

TRADING RECORD

The following is a summary of the audited consolidated results of the Group for each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003. This summary is prepared on the basis set out in section A of the accountants' report in appendix I to this document and should be read in conjunction herewith.

	Year ended 31st December,			Six months ended 30th June,
	2000	**2001**	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover *(Note 1)*				
Jin Ze Ling No. 1 (金澤靈1號)	6,422	71,392	35,437	12,873
Dao Ying Wen Jing (稻癭蚊淨)	–	39,631	50,471	37,610
Total	6,422	111,023	85,908	50,483
Cost of sales	(2,755)	(36,417)	(28,883)	(21,527)
Gross profit	3,667	74,606	57,025	28,956
Other operating income	1	2,419	2,493	1,508
Selling expenses	(69)	(2,945)	(4,967)	(5,962)
Administrative expenses	(415)	(7,116)	(8,812)	(7,015)
Research and development costs	(62)	(4,089)	(6,918)	–
Written off of intangible assets	–	–	(1,410)	–
Profit before taxation	3,122	62,875	37,411	17,487
Taxation *(Note 2)*	–	(1,021)	–	(3,058)
Profit before minority interests	3,122	61,854	37,411	14,429
Minority interests	42	–	–	–
Net profit for the year/period	3,164	61,854	37,411	14,429
Dividends	–	30,398	–	–
Earnings per Share, basic (HK cents) *(Note 3)*	0.23	4.05	2.20	0.85

Notes:

1. Turnover represents the net invoiced value of goods sold after allowances for returns and discounts and sales tax.

2. No provision for Hong Kong profits tax has been made as the Group's income neither arise in, nor is derived from, Hong Kong.

   Fujian Goldigit, the principal operating and wholly owned subsidiary of the Company, was approved by Fujian Province State Tax Bureau (福建省國家稅務局) to defer its entitlement of privileged tax policy rendered to wholly foreign-owned enterprises in the PRC. According to the approval, Fujian Goldigit was required to pay income tax at 27% based on the PRC audited profit of Fujian Goldigit for the year ended 31st December, 2000 as the two-year exemption period of Fujian Goldigit is deferred to 31st December, 2002 and the 50% relief period is deferred to 31st December, 2005.

3. The calculation of basic earnings per Share is based on the profit attributable to Shareholders for each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003 and the weighted average of 1,359,860,000 Shares, 1,525,668,219 Shares, 1,699,860,000 Shares and 1,699,860,000 Shares in issue during the Track Record Period, respectively.

During the year ended 31st December, 2000, the Group (i) maintained current account with a Shareholder, Mr. Lao, on which no interest expenses were charged. As at 31st December, 2000, the amount due to Mr. Lao was approximately HK$3,646,000; and (ii) produced the Propulsive Agent with the production facilities provided by Harbin Institute of Technology, from whom the know-how of the Group was acquired, free of charge. Had (i) the amount due to the Shareholder, Mr. Lao, been interest bearing at the prevailing best lending rates in Hong Kong for the year ended 31st December, 2000; and (ii) the production facilities been acquired by the Group on 1st July, 1998, being the date when the Group was deemed to have commenced its production, to 30th September, 2000, being the date when the Group acquired the production facilities, the Directors consider that the consolidated results of the Group after minority interests for the year ended 31st December, 2000 would have been adjusted by the following notional amounts:

	Year ended 31st December, 2000
	HK$'000
Net profit for the year as set out under audited consolidated results above	3,164
Notional adjustments:	
Interest expenses on amount due to a Shareholder	(287)
Cost of production facilities *(Note)*	(445)
	(732)
Amounts attributable to minority interests	89
Adjusted profit for the year	2,521

Note: Cost of production facilities is computed based on the assumption that the Group had acquired the production facilities in July 1998 for its own production of the Propulsive Agent and the acquisition was financed by the external borrowing funds at interest rates prevailing in the PRC for the year ended 31st December, 2000. The cost of production facilities comprised the depreciation charged on the production facilities and interest cost together with other related expenses.

KEY FINANCIAL INFORMATION

Earnings per Share for the year ended 31st December, 2002 *(Note 1)* ....HK$0.022

Adjusted net tangible asset value per Share *(Note 2)* ....HK$0.142

Board lot size .... 4,000 Shares

Notes:

1. The calculation of earnings per Share is based on the profits attributable to Shareholders for the financial year ended 31st December, 2002 of approximately HK$37,411,000 and 1,699,860,000 Shares in issue during the year.

2. The adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the paragraph headed "Adjusted net tangible assets" under the section headed "Financial Information" in this document and is based on 1,699,860,000 Shares in issue immediately following the Introduction, but taking no account of any Shares which may be alloted and issued pursuant to the exercise of any options granted under the Share Option Scheme or the Proposed Share Option Scheme or upon the exercise by the Directors of the general mandates granted to them to allot and issue Shares, or repurchased Shares.

DIVIDENDS

An interim dividend of HK$10,000,000 was declared in 2001 by a subsidiary, Goldigit Limited before the reorganisation in preparation for the listing of the Shares on the GEM on 9th July, 2001.

A final dividend of HK1.2 cents per Share in respect of the year ended 31st December, 2001 was proposed by the Directors and approved by the Shareholders on 29th April, 2002. However, such dividend policy should not be used as a reference or basis for the determination of the Company's future dividend policy and there can be no assurance that the payment of dividends will be repeated.

Save as disclosed herein, no dividend was paid or declared by the Company during the Track Record Period.

DIRECTORS' REMUNERATION

The remunerations of the Directors for the three years ended 31st December, 2002 and the six months ended 30th June, 2003 were HK$24,000, HK$762,000, HK$1,578,000 and HK$743,000, respectively.

Each of the executive directors has entered into a service agreement with the Company under which they are to act as executive Directors. Unless and until terminated by either party giving to the other not less than six months' prior notice in writing served by either party on the other, which notice period shall not expire at any time during the first year, each service agreement of the executive Directors is for an initial term of three years commencing from their respective dates of appointment and shall continue thereafter for successive terms of one year commencing from the day next after the expiry of the then current term.

Each of the independent non-executive Directors was appointed for a period of one year commencing from their respective appointment date and, upon expiry of their appointment, their appointment will be renewed on a yearly basis unless terminated.

NON-INCLUSION OF A PROFIT FORECAST FOR THE YEAR ENDING 31ST DECEMBER, 2003

A profit forecast of the Group for the year ending 31st December, 2003 has not been included in this document. The Directors consider that the inclusion of such profit forecast in this document is not appropriate mainly because a substantial portion of the Group's revenue has been, and is expected to be, derived from the sale of pesticide products in the PRC which the Directors consider to be a market of considerable competition. Furthermore, the pesticide industry, in which the Group's business is operated, is considered by the Directors to be highly competitive with domestic and overseas pesticide manufacturers and uncertain, which is subject to new products launch, pricing and margin pressure. In addition, the pesticide industry depends on the farming business which, by nature, is subject to a high degree of exposure to natural disasters and adverse weather conditions. Accordingly, the Directors consider that sales of the Group for the remaining year ending 31st December, 2003 will be significantly affected by, among other factors, prevailing market conditions of the pesticide industry and economic environment that are beyond the control of the Group, and it would not be feasible for the Group to prepare a profit forecast with a level of adequacy, reliability and certainty that is required for inclusion in this document.

Potential investors should be aware that there is no assurance that the Group will increase or maintain the level of its historical revenue or profitability and that the historical results of the Group should not be used as an indication of its future performance.

In this document, unless the context otherwise requires, the following expressions have the meanings set out below. See also the section headed "Glossary of technical terms" in this document.

"Articles of Association"	the articles of association of the Company, a summary of which is set out in appendix III to this document
"associate(s)"	having the meaning ascribed thereto under the Listing Rules
"Best Today"	Best Today Investments Limited, a limited company incorporated on 28th February, 2001 in the BVI and wholly owned by Mr. Lao
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCTV"	China Central Television, the national television network of the PRC
"China Everbright" or "Joint-sponsor"	China Everbright Capital Limited, deemed licensed corporation for types 4, 6 and 9 regulated activities under the SFO
"cm."	centimetre
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the laws of Hong Kong)
"Company" or "Goldigit"	Goldigit Atom-tech Holdings Limited, an exempted company incorporated in the Cayman Islands on 9th February, 2001 with limited liability, the Shares of which are listed on GEM on 9th July, 2001
"connected person(s)" or "person(s) connected"	having the meaning ascribed thereto under the Listing Rules
"Director(s)"	directors, including independent non-executive directors, of the Company
"FIE"	foreign investment enterprise established in the PRC

"Fujian Goldigit"	Fujian Goldigit Fine Chemical Industry Co., Ltd. (福建省金澤精細化工有限公司), a wholly foreign owned enterprise established in the PRC and which is an indirect wholly-owned subsidiary of the Company
"Fuzhou Goldigit"	Fuzhou Development Zone Goldigit Fine Chemical Industry Co., Ltd. (福州開發區金澤精細化工有限公司), a wholly foreign owned enterprise established in the PRC and which is an indirect wholly-owned subsidiary of the Company
"Fuzhou No. 1 Refinery"	Fuzhou No. 1 Refinery Company Limited (福州一化精細化工有限公司), a state-owned limited company established in the PRC and a processing agent of the Group, which is an Independent Third Party
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"GMP"	the Good Manufacturing Practice, which are guidelines and regulations from time to time issued pursuant to the Law of the PRC on the Administration of Pharmaceuticals as part of quality assurance to ensure that pharmaceutical products subject to those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use, which does not mean the US current Good Manufacturing Practice requirements when used herein unless otherwise stated
"Group"	the Company together with its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the Company's subsidiaries at that time
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Dollars" or "HK$" and "cents"	HK dollars and cents, the lawful currency of Hong Kong
"Independent Third Party(ies)"	party(ies) who is/are independent of and not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates

"Introduction"	the proposed listing of the Shares on the Main Board by way of introduction pursuant to the Listing Rules
"Latest Practicable Date"	23rd September, 2003, being the latest practicable date for the inclusion of certain information in this document prior to its publication
"Listing Date"	the date when dealings in the Shares commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM, which, for the avoidance of doubt, Main Board excludes GEM
"MasterLink" or "Joint-sponsor"	MasterLink Securities (Hong Kong) Corporation Limited, a deemed licensed corporation for types 1, 4, 6 and 9 regulated activities under the SFO
"Master Tailor"	Master Tailor Investments Limited, a limited company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
"Ministry of Agriculture"	the Ministry of Agriculture of the PRC (中華人民共和國農業部)
"MOFTEC"	the Ministry of Foreign Trade and Economic Co-operation of the PRC (中國國家對外貿易經濟合作部)
"Mr. Chen"	Mr. Chen Li Quan, being one of the vice-general managers of the Group
"Mr. Lao"	Mr. Lao Seng Peng, an executive Director and the chairman of the Company
"OEM"	Original Equipment Manufacturers
"PBOC"	the People's Bank of China (中國人民銀行)
"PRC", "State" or "China"	the People's Republic of China, and except where the context requires, references in this document to the PRC, State or China do not include Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Prof. Cai"	Professor Cai Wei Min, an executive Director
"Proposed Share Option Scheme"	the share option scheme proposed to be adopted at the extraordinary general meeting of the Company to be held on 15th October, 2003, the principal terms of which are summarised in the sub-paragraph headed "Proposed Share Option Scheme" under the paragraph headed "Share Option Schemes" in Appendix IV to this document
"Prospectus"	the prospectus of the Company dated 29th June, 2001 in connection with the listing of the Shares on GEM on 9th July, 2001 by way of placing
"Quanzhou Quangang"	Quanzhou Quangang Fine Chemical Co., Ltd. (泉州泉港金澤精細化工有限公司), a wholly foreign owned enterprise established in the PRC and which is an indirect wholly-owned subsidiary of the Company
"Repurchase Mandate"	the share repurchase mandate proposed to be granted to the Directors at the extraordinary general meeting of the Company to be held on 15th October, 2003
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration for Foreign Exchange of the PRC (中國國家外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中國國家工商行政管理局)
"Senior Managers"	Mr. Yuen Leong, Mr. Chen, Mr. Wu Yong Qiang, Mr. Huang Cai Jin, Mr. Li Da Liang, Ms. Guo Xiang Mei, Mr. Ding Jian, Mr. Peng Dong Yue and Mr. Cheung Ying Kwan, who are employed by the Group
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	registered holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 22nd June, 2001

"SIPO"	State Intellectual Property Office of the PRC (中國國家知識產權局)
"Spring New"	Spring New Developments Limited, a limited company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	having the meaning ascribed to it under the Listing Rules
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers
"Track Record Period"	the three financial years ended 31st December, 2002 and the six months ended 30th June, 2003
"USA" or "US"	the United States of America
"US Dollars" or "US$"	US dollars, the lawful currency of the US
"VAT"	value-added tax
"WTO"	The World Trade Organisation
"sq.m."	square metre or square metres
"%"	per cent.

Unless otherwise specified in this document, amounts denominated in foreign currencies (other than those relating to the financial information of the Group which are translated at the rates as at the relevant dates in question) have been translated, for the purposes of illustration only, into Hong Kong dollars using the following exchange rates:

US$1 = HK$7.80
HK$1 = RMB1.06

No representation is made that any amounts in US$, RMB or HK$ could have been or could be converted at the above rate or at any other rates or at all.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with the Group and its business. The terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

"buprofezin"	an organic and highly selective insecticide to restrain the growth of pests on agricultural products such as rice, vegetables and fruits
"Chemical Delivery System"	an automatic mean with the purpose of delivering a chemical molecule from the point of application to the target
"catalyst"	substance that speeds up a chemical reaction
"Dao Ying Wen Jing (稻癭蚊淨)"	the common brand name of one of the Group's pesticides, 30% chlorpyrifos-buprofezin (30%毒噻•展膜油劑)
"distillation"	the process of turning liquid to vapour by heating, then collecting the condensation when cooled
"fertilizer"	natural or artificial substance that contains the nutrients required by plants
"filtration"	the process of removing impurities from a liquid
"fungicide"	a chemical substance that is used to kill or inhibit the growth of fungi
"hectare times"	the area calculated based on the total times that area is affected by the relevant pest(s)
"herbicide"	a chemical agent that is used to kill or inhibit the growth of unwanted plants
"Jin Ze Ling No. 1 (金澤靈1號)"/ "Sha Shi Ba (殺虱霸)"	Jin Ze Ling No. 1 (金澤靈1號), previously known as Sha Shi Ba (殺虱霸) , the common brand name of one of the Group's pesticides, 8% buprofezin (8%噻嗪酮•展膜油劑)
"nutritious growth"	the growth with respect to plant organs, such as root, stem and leaf
"OEM"	original equipment manufacturing
"organic"	being, found in, or formed by living things
"organo phosphate"	any of several organic compounds containing phosphorus, some of which are used as fertilizers and pesticides

"pesticide"	a toxic substance that is used to kill animals or plants which cause an economic damage to crop or ornamental plants or are hazardous to the health of domestic animals or humans
"phosphorus"	highly reactive and nonmetallic chemical element
"PPM"	parts per million which means the condensity level of a certain molecule in 1 litre of water
"Propulsive Agent"	chemical solvent agent produced by the Group and applied to pesticides (靶向推進劑) which possess automatic diffusion and propulsion on water surface. It is a type of Chemical Delivery System
"reactor"	apparatus in which chemical reactions take place and which controls the reaction process
"solvent"	liquid or solution that can dissolve another substance
"Target Propellant New Pesticide"	the type of pesticides applying the Propulsive Agent technology

You should consider carefully all of the information set out in this document and, in particular, should evaluate the following risks with regard to the Group.

RISKS RELATING TO THE GROUP

Leakage or publication of confidential technical know-how

A special feature of the Group's pesticides lies in the application of the Propulsive Agent technology which is a combination of two or three organic chemical materials. The quantity required of the materials, the duration for which and the temperature at which the materials are to be processed all form part of the confidential technical know-how that is key to the Group's production process and is known only to Mr. Lao, the chairman of the Company, Prof. Cai and the Senior Managers. Mr. Lao and such other personnels are bound, by their respective service contracts with the Company, to observe strict confidentiality in respect of the Group's production know-how unless such confidential information becomes public. The Group applied to SIPO for patent registrations of such technologies in October 2000 and January 2001, respectively and the applications are in the process of substantive examination (實質審查) which is being carried out by the SIPO since May 2001 and July 2001, respectively. The SIPO published the applications and brief descriptions of the technical know-how to the public in April 2001 and June 2001, respectively. Following such public notification, there is a risk that the technology may be copied by unauthorised parties or others may develop independent inventions which use the same technology as that under the Group's applications and there is no guarantee that leakage of the know-how would not happened. Therefore, the publication in respect of the Group's production know-how or leakage of such know-how may have a material adverse effect on its business.

Applications for the Group's patents may not be approved

In October 2000 and January 2001 respectively, the Group applied to the SIPO for patent registrations of a type of chemical solvent which can cause pesticide molecules to diffuse over water surface and a type of chemical solvent agent which can cause certain pesticide molecules to automatically diffuse over water surface, which are the technical know-how relating to the Propulsive Agent technology. The Directors expect the registrations of the Group's patents under application to be completed in or around December 2003 and January 2004, respectively.

Potential investors should be aware that there is no assurance that the Group's patent applications to the SIPO will be approved. In the event that the Group's patent applications are not approved by the SIPO, the Group's business in the future may be adversely affected.

In addition, should its competitors independently develop similar products before the Group applies for SIPO's approval, the Directors believe that it will create an adverse impact on the Group's business in the future.

Unable to obtain renewed provisional pesticide registration certificates

The provisional pesticide registration certificates for Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨) are valid until 13th January, 2004 and 30th June, 2004, respectively. In the event that the Group is not able to obtain the respective renewed certificates, the Group would not be allowed to sell its products, Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨), and that the business, sales and profitability of the Group will be adversely affected. The profit attributable to Shareholders may be adversely affected as the Group may have to delay the delivery or not be able to deliver products of the Group to its customers and that cancel orders from customers could be resulted.

Loss of favourable taxation treatments

The principal operating subsidiary of the Company in the PRC, Fujian Goldigit, is entitled to certain tax exemptions and concessions. In accordance with the applicable enterprise income tax law of the PRC, Fujian Goldigit is exempt from enterprise income tax for the first two profitable years of operation (originally from 1st January, 2000 to 31st December, 2001) and is entitled to a 50% relief on the enterprise income tax rate of 24% that would otherwise be charged for the following three years from 1st January, 2002 to 31st December, 2004. In August, 2001, Fujian Province State Tax Bureau (福建省國家税務局) approved the Group's application to defer its entitlement of the privileged tax policy rendered to wholly foreign owned enterprises in the PRC whereby the expiry of the profit tax holiday and the 50% relief period will be deferred to 31st December, 2002, and 31st December, 2005, respectively. There can be no assurance that the current exemption and concession will continue in the future, in the event of any changes, the profitability of the Group may be adversely affected. In addition, the exemption and concession from enterprise income tax will gradually cease to apply to the Group and the after tax profit of the Group will be adversely affected accordingly.

Dependence on continuing research and development

The Group will place continued emphasis on research and development in order to improve its existing products and develop new products and will closely monitor technology development in the industry. The Group together with other institutions in the PRC has conducted research and development works on six products. As at the Latest Practicable Date, three of the products under research and development were suspended (please refer to the section headed "Comparison of business objectives with actual business progress" in this document for details). Accordingly, these products did not reach the commercial launch stage. It is possible that products under research and development may never reach their commercial launch stage and that pesticides applying the Propulsive Agent technology may be superseded by more technologically advanced products over time. In the event that products under research and development do not proceed to the commercial launch stage and that pesticides applying the Propulsive Agent technology are superseded by more technologically advanced products, the Group's business and profitability may be adversely affected.

Sustainability of a high profit margin

For each of the three financial years ended 31st December, 2002 and the six months ended 30th June, 2003, the Group achieved gross profit margins of approximately 57.1%, 67.2%, 66.4% and 57.4%, respectively, as well as net profit margins of approximately 49.3%, 55.7%, 43.5% and 28.6%, respectively. Both the gross profit margin and net profit margin for the six months ended 30th June, 2003 experienced a decline as compared with those for the year ended 31st December, 2002. The decrease of the gross profit margin was due to the decrease in selling prices of the Group's products while the decline in the net profit margin was mainly due to the decreased contribution from sales which in turn was related to the reduction in selling prices of the Group's products commencing from February 2003. In addition, the professional fees were incurred for the listing of the Shares by way of Introduction. The Group also recognised PRC income tax expenses of approximately HK$3.1 million for the six months ended 30th June, 2003 as compared to nil in the corresponding period in 2002. Due to uncertain factors such as weather conditions, pricing strategies of competing products and the economic situation in the PRC in general, there is no assurance that the Group will be able to sustain its profit margin in the future at a level as high as that was achieved in the past.

Declining profit trend

For the year ended 31st December, 2002, the profit attributable to Shareholders was approximately HK$37.4 million, which represents a decline of approximately 39.6% from approximately HK$61.9 million for the year ended 31st December, 2001. For the six months ended 30th June, 2003, the profit attributable to Shareholders was approximately HK$14.4 million, which represents a decline of approximately 59.9% from approximately HK$35.9 million for the six months ended 30th June, 2002. The decline in net profit for the year ended 31st December, 2002 as compared with that for the year ended 31st December, 2001 was, according to the Directors, due to the flooding and droughts in various parts of the PRC, which affected some of the regions where the Group conducted business. The decline in net profit for the six months ended 30th June, 2003 as compared with the corresponding period in 2002 was due to the decline in sales of the Group's products and the outbreak of Severe Acute Respiratory Syndrome, which had affected the Group's marketing and distribution activities in the second quarter of 2003 (please refer to the paragraphs headed "Year ended 31st December, 2002 compared with year ended 31st December, 2001" and "Six months ended 30th June, 2003" under the section headed "Financial information" of this listing document for details). Due to uncertain factors such as weather conditions, pricing strategies of competing products and the economic situation in the PRC in general, there is no assurance that the Group will increase its profitability or maintain a constantly growing profit record and it is possible that the Group's profit attributable to Shareholders may continue to decline in the future.

Reliance on one processing agent

The Group's research and development centre in Fuzhou, the PRC manufactures the Propulsive Agent. The manufacturing processes of the pesticides and the addition of the Propulsive Agent to the pesticides are outsourced to an Independent Third Party, Fuzhou No. 1 Refinery. As at the Latest Practicable Date, the Group has not sought any alternative subcontracting factory or processing agent to replace Fuzhou No. 1 Refinery. In the event that this processing agent ceases or becomes unable to carry out the processing operation for the Group and the Group is unable to find a suitable replacement immediately, its business and profitability may be adversely affected. In such an event that the Group needs to find an alternate processing agent, such processing agent would still have to go through the process of applying the pesticide production permit certificates for Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨) before such processing agent is legally allowed to produce such pesticides.

The pesticide production permit certificates in respect of the pesticide production for Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨) expired on 1st March, 2003 and 1st August, 2002, respectively. Fuzhou No.1 Refinery had submitted the renewal applications for the renewed certificates on 10th February, 2003 and 9th July, 2002, respectively. The renewal of the pesticide production permit certificate of Dao Ying Wen Jing (稻癭蚊淨) was issued by the National Development and Reform Commission (國家發展和改革委員會) on 22nd May, 2003 and will expire on 22nd May, 2006. However, Fuzhou No.1 Refinery has yet to receive the renewed pesticide production permit certificate for Jin Ze Ling No. 1 (金澤靈1號). On 29th July, 2003, Fuzhou No.1 Refinery received a letter from the National Development and Reform Commission (國家發展和改革委員會) which states that the verification of the renewal application of the pesticide production permit certificate for Jin Ze Ling No.1 (金澤靈1號) has been completed, and the public announcement and the issuance of the production permit certificate are being processed and the pesticide production permit certificate for Jin Ze Ling No.1 (金澤靈1號) will be issued after its public announcement. As confirmed with the National Development and Reform

Commission (國家發展和改革委員會), prior to the issue of the new production pesticide permit certificate for Jin Ze Ling No.1 (金澤靈1號), the existing pesticide production permit certificate is still legal and valid and can continue to be used. Pursuant to the public announcement published on the website of the National Development and Reform Commission (國家發展和改革委員會) on 8th September, 2003, the renewal approval of the production permit certificate for Jin Ze Ling No.1 (金澤靈1號) was granted to Fuzhou No.1 Refinery on 27th August, 2003 by the National Development and Reform Commission (國家發展和改革委員會) and the renewed production permit certificate will expire on 15th August, 2006. Fuzhou No.1 Refinery is expected to obtain the renewed pesticide production permit certificate for Jin Ze Ling No. 1 (金澤靈1號) in or around September 2003. In the event that Fuzhou No.1 Refinery is not able to obtain the renewed pesticide production permit certificate, Fuzhou No.1 Refinery would not be allowed to produce Jin Ze Ling No.1 (金澤靈1號) and that the business, sales and profitability of the Group will be adversely affected. The profit attributable to Shareholders may be adversely affected as the Group may have to delay the delivery or not be able to deliver products of the Group to its customers and that cancel orders from customers could be resulted.

Reliance on a limited number of suppliers

In each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003, two suppliers of the Group, together accounted for approximately 100%, 100%, 100% and 100%, respectively, and the largest supplier accounted for approximately 89.9%, 92.0%, 94.4% and 94.7% respectively, of the Group's total purchases. In the event that any of the two suppliers ceases or becomes unable to supply raw materials to the Group and the Group is unable to find suitable replacements immediately, its operations may be adversely affected.

Reliance on the PRC market

For the three years ended 31st December, 2002 and the six months ended 30th June, 2003, all of the Group's turnover were derived in the PRC. Should there be any material adverse change in the political, economic, legal and social conditions in the PRC, the Group's business and profitability may be adversely affected.

Industry concentration

For the three years ended 31st December, 2002 and the six months ended 30th June, 2003, all of the Group's sales were generated from the paddy pesticides industry in the PRC. The performance and profitability of the Group might be adversely affected in the event that the demand for the Group's products from the paddy pesticides industry is unsustainable or decreases.

Dependence on key personnel

The Group's success is, to a significant extent, built upon the technical know-how possessed by Prof. Cai, Mr. Lao and the Senior Managers. Each of Prof. Cai and Mr. Lao has entered into a service agreement with the Company and unless and until terminated by not less than six months prior notice in writing served by either party on the other, which notice period shall not expire at any time during the first year, each service agreement is of an initial term of three years commencing from 22nd June, 2001 and shall continue thereafter for successive terms of one year commencing from the day next after the expiry of the then current term. In addition, each of the Senior Managers has entered into service agreements with the Group for a term of five years. The Group does not currently maintain any insurance policy against the loss of the services of Prof. Cai, Mr. Lao, any of the other key technical personnel or the Senior Managers, therefore the loss of any such personnel may have a material adverse effect on the Group. In addition, if any such personnel fails to observe and perform his obligations under his service contract, the Group's business and profitability may be adversely affected.

Lack of insurance coverage

The Directors consider that the Group has maintained adequate insurance coverage for damages to machinery by accidents or natural disasters. The Group does not maintain any third party liability insurance to cover claims in respect of personal injury or death and does not currently maintain any product liability insurance for the products sold or distributed by it. There is no assurance that such claims and complaints for personal injury, death, environmental damages or product liability will not arise in the future. Should any such claims or complaints be brought against the Company, there is no assurance that it would not have an adverse effect on the performance and profitability of the Group.

Seasonal fluctuations of sales

As the volume of sales orders placed are subject to seasonal fluctuations of the paddy rice industry in the PRC, turnover of the Group is correspondingly subject to seasonal fluctuations. The sales of the Group normally increase during the second calendar quarter and the third calendar quarter as a result of the cropping seasons of paddy rice in the PRC and may decline during other periods of the calendar year. Such phenomena is likely to introduce a seasonal element to the Group's turnover, which may have a material adverse effect on the Group's liquidity and financial condition.

Product concentration

Sales of the Group's products, Jin Ze Ling No. 1 (金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨), accounted for the entire turnover of the Group for each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003. Therefore, the Group's turnover and profits may be materially affected by any fluctuation in the demand or market price of its products or any increase in competition.

Uncertainty in dividend payout

The Directors recommended a final dividend HK1.2 cents per Share for the year ended 31st December, 2001 which was financed by internal resources of the Group. However, such dividend policy should not be used as a reference or basis for the determination of the Company's future dividend policy and there can be no assurance that the payment of dividends will repeat.

Trust agreement in respect of Fujian Goldigit

On 21st March, 1998, Mr. Lao, the chairman of the Company, entered into a trust agreement pursuant to which Ms. Liu Lan Hua, the sister of Mr. Lao was authorised to acquire and hold the 80% equity interest in Fujian Goldigit for and on behalf of Mr. Lao. Ms. Liu Lan Hua transferred her interest in Fujian Goldigit to Goldigit Limited, a company wholly owned by Mr. Lao, on 25th September, 2000 and the transfer was confirmed by the relevant PRC authorities, namely, Fujian Province Foreign Trade and Economic Cooperation Bureau (福建省對外貿易經濟合作廳) and

Fujian Province Industry and Commerce Administration Bureau (福建省工商行政管理局). The opinion of the PRC legal advisers to the Company states that the above trust agreement did not contravene any PRC laws and was legally binding on and enforceable by the relevant parties to the agreement.

Notwithstanding the foregoing and for whatever reason, if the above trust agreement is declared invalid or unenforceable under PRC laws, and accordingly the legal status and/or operation of Fujian Goldigit are affected, it will have a fundamental adverse impact on its business operation and the Group will suffer a substantial loss.

Risks relating to the Group's future plans

The Directors believe that the success of the Group in the future will depend on, among other things, its ability to implement its future plans. The success of such plans depends upon a number of factors. The implementation of the future plans involves risks including failure to develop new products, and inability to attract or retain qualified personnel. In the event that the Group fails to implement any or all of its future plans, the Group's business and prospects in the future may be adversely affected.

RISKS RELATING TO THE INDUSTRY

Competition

The Directors are of the view that the market for chemical pesticides in the PRC is competitive. After China's entry into the WTO, the Directors believe that competition is more intense and large international corporations will be able to provide lower-priced, high-quality chemical pesticides to the PRC market. The Directors also anticipate that such international corporations may acquire PRC local pesticide factories with large scale production capacities which could lead to an increase in competition faced by the Group. Therefore, with such increased competition, the Group's profitability may be adversely affected.

Development of biotechnology on crop protection which may reduce the demand for the Group's existing products

The utilisation of biotechnology in developing genetically modified crops has been gaining popularity within the agricultural industry in recent years. Development of genetically modified crops that have resistance to insects, fungi and herbicides, can minimise the probability of crop damages caused by the attacks of insects, fungi and herbicides. If such genetically modified crops are successfully developed, crop growers may tend to apply fewer pesticides on the field, which as a result, may affect the Group's business.

Natural disasters

The end users of the Group's existing products are in the farming business which, by nature, is subject to a high degree of exposure to the risks of natural disasters and adverse weather conditions such as droughts, floods, earthquakes, hailstorms and windstorms. The Group's operations are therefore subject to a high degree of exposure to the risks of natural disasters, the occurrence of which in close proximity to any of the place where the Group conducts business may result in material decline in yield and material damage to farming, breeding or other ancillary facilities or equipment. These situations may have an adverse impact on the demand for the Group's products and, hence, the Group's business and revenue may be adversely affected.

RISKS RELATING TO THE PRC

Changes in the PRC laws and regulations which may have adverse impacts on the Group

Since 1979, the PRC government has been reforming the economic and political systems of the PRC, and these reforms are expected to continue. Many of the reforms are unprecedented or experimental and are expected to be refined or changed. Other political, economic and social factors could also lead to further readjustments to the reform measures. The Group's operations and financial results could be adversely affected by adjustment in the State's plans or the political, economic or social conditions of the PRC or changes in the policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

The PRC economy has experienced a significant growth in the past few years, but such growth has been uneven both geographically and among the various sectors of the economy. The PRC government has implemented various macroeconomic and fiscal measures from time to time to control inflation and to regulate economic expansion with a view to preventing overheating of the economy. Such measures or policies by the PRC government may adversely affect the Group's business, prospects and results of operations.

Government control of currency conversion and exchange rate risks

The PRC government imposes control over the convertibility of Renminbi into foreign currencies. With effect from 1st January, 1994, the PRC government implemented a unified floating exchange rate system based on market supply and demand. Under this system the PBOC publishes the PBOC Exchange Rate based on the previous day's dealings in the inter-bank foreign exchange market. Foreign currency designated banks use the exchange rate published by the PBOC as a basis and decide a rate of its own, which is within the floating range specified by the PBOC, to enter into foreign exchange sales and purchase transactions with customers. On 20th June, 1996, the PBOC promulgated the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment《結滙、售滙及付滙管理規定》, and on the same date, it issued the Order in respect of foreign exchange settlement and sale with banks which is applicable to FIEs《中國人民銀行關於對外商投資企業實行銀行結售滙的公告》. Under the new system, FIEs may undertake foreign exchange settlement and sale with designated foreign exchange banks after registration of their foreign exchange accounts, and may also continue to buy and sell foreign currency through the foreign currency adjustment centres ("Swap Centres") established by the SAFE. FIEs may open a foreign exchange settlement account for the receipt and payment of current items and a special foreign exchange account for the receipt and payment of capital items. The SAFE determines the maximum amount of foreign currency income which may be retained by the FIEs as current items based on its needs for foreign currency of current items. From 1st December, 1998 onwards, all business of the Swap Centres in the PRC engaged by FIEs has been cancelled and the sale and purchase of foreign exchange by FIEs has been included in the currency clearing system of the banks.

Although the new regulations have provided for the greater convertibility of Renminbi, Renminbi is still not a freely convertible currency.

The Group does not currently have any foreign currency borrowing. The Group will need foreign currency to meet the payment of any dividends declared by the Company. The Group's main operating subsidiary, Fujian Goldigit, receives all of its revenues in Renminbi. Fujian Goldigit is a wholly foreign-owned enterprise and hence, a FIE. It has been issued with "foreign exchange registration certificates" ("FERCs") by the local bureau of SAFE and are entitled to buy foreign exchange at the currency clearing system of the relevant bank for remittance outside the PRC. As FERCs are reviewed annually, there is no assurance that Fujian Goldigit's right to undertake foreign exchange transaction may not be revoked or withdrawn. There is also no assurance that the Group will otherwise be able to obtain sufficient foreign exchange to meet its requirements (including as to the payment of dividends by the Company).

There can be no assurance that exchange rates will not become volatile or that the exchange rate of Renminbi against the U.S. dollar will not change in such a way as to affect the financial position of the Group. Exchange rate fluctuations may adversely affect the Group's financial performance.

Any devaluation of the Renminbi would increase the effective cost of the Group to satisfy its foreign currency requirements. Any such devaluation may also materially adversely affect the value, translated or converted into US Dollars or Hong Kong Dollars, of the Group's net assets, its earnings and any declared dividends.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document which includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the laws of Hong Kong) and the Listing Rules for the purpose of giving information relating to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this document misleading.

This document is published solely in connection with the Introduction. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this document or any part thereof in connection with any offering, or invitation to offer, of the Shares or other securities of the Company.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may, prior to its termination, be granted under the Share Option Scheme, or which may be granted under the Proposed Share Option Scheme. Except that prior to the Introduction, the Shares are listed on the GEM, no part of the share or loan capital of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought by the Company as at the date of this document. In addition, companies listed on the Main Board are not required to publish quarterly results, however, it is the Director's present intention to continue to issue quarterly results following the Introduction.

SHARES WILL CONTINUE TO BE ELIGIBLE FOR ADMISSION INTO CCASS

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 9th July, 2001, the date on which the Shares were listed on GEM. Subject to the granting by the Stock Exchange of the listing of, and permission to deal in, the Shares on the Main Board and the continue compliance with the stock admission requirements of HKSCC by the Company, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after the date of transactions. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Necessary arrangements have been made with HKSCC for the Shares in issue and the Shares which may fall to be allotted and issued upon the exercise of any options which may, prior to the termination of the Share Option Scheme, be granted thereunder, or which may be granted under the Proposed Share Option Scheme, to continue to be accepted as eligible securities of CCASS.

NO CHANGE IN BUSINESS

No change in the business of the Group is contemplated following the Introduction.

REASONS FOR LISTING ON THE MAIN BOARD

Since the listing of the Shares on GEM on 9th July, 2001 the Company has improve its public profile. The Directors consider that listing of the Shares on the Main Board will further enhance the public profile and recognition from larger institutional investors of the Company, which will be beneficial and complementary to the future growth and development of the Group and also raise the image and recognition of the Group's products which would in turn be beneficial to the Group when it conducts its business and promotes its products.

PROFESSIONAL TAX ADVICE RECOMMENDED

Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. None of the Company, China Everbright, MasterLink, any of their respective directors, employees, agents or advisers or any other party involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, holders of the Shares resulting from the holding of or dealing in the Shares.

STAMP DUTY

Dealings in the Shares registered in the Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

UNDERTAKINGS

Mr. Lao, being the controlling shareholder of the Company holding, through Best Today, approximately 68.80% of the total issued Shares as at the date of this document, has undertaken to the Company and the Stock Exchange that he shall not, (a) in the period of six months from the date on which dealings in the Shares commence on the Main Board, dispose of, and shall procure that the registered holder thereof shall not dispose of, any of those Shares in respect of which he is the beneficial owner or interested; and (b) in the period of six months commencing from the date on which the period referred to in sub-clause (a) above expires, dispose of or permit the registered holder thereof dispose of, any of the Shares referred in sub-clause (a) above if, immediately following such disposal, Mr. Lao would cease to be a controlling shareholder of the Company (as defined in the Listing Rules).

Mr. Lao has also undertaken to the Company and the Stock Exchange that, within the period of twelve months from the date on which dealings in the Shares commence on the Main Board, he will:

(i) immediately inform the Company of any pledge/charge of securities of the Company beneficially owned or interested by him together with the number of securities so pledged/charged when he makes such pledges/charges; and

(ii) immediately inform the Company when he receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities will be disposed of.

The Company has agreed that it will inform the Stock Exchange as soon as it has been informed of any matters relating to the pledge/charge mentioned above by Mr. Lao, and disclose such matters by way of a press notice in newspapers as soon as possible in accordance with the requirements of the Listing Rules.

CONDITIONS OF THE INTRODUCTION

The Introduction is subject to the fulfilment of the conditions that, among other things, the Listing Committee of the Stock Exchange granting approval of the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may, prior to its termination, be granted under the Share Option Scheme, or which may be granted under the Proposed Share Option Scheme.

The Shares are currently listed on GEM. Immediately prior to the Introduction, the listing of the Shares on GEM will be withdrawn in accordance with the GEM Listing Rules. In this connection, an extraordinary general meeting of the Company will be held on 15th October, 2003 to approve, among other things, the proposed withdrawal of the listing of the Shares on GEM. The Directors expect that dealings in the Shares on the Main Board of the Stock Exchange will commence on or about 27th October, 2003. Shares will continue to be traded in board lots of 4,000 Shares each.

Name	Address	Nationality
Executive Directors		
LAO Seng Peng	Flat F, 24th Floor Yuan Kung Mansion 20 Tai Koo Shing Road Hong Kong	Chinese
CAI Wei Min	Room 504, No. 46 880 Nong Cang Quan Road Min Hang District Shanghai PRC	Chinese
YEH Tung Ming	Flat 604 Block 21 Yong Heng Xin Cun Beihuan Xi Lu 108 Gu Lou Qu Fuzhou PRC	Taiwanese
WONG Kin Ping	Room 1268 Ming Yuen Phase 2 68 Peacock Road North Point Hong Kong	Chinese
Independent non-executive Directors		
SUN Juyi	No. 3-105 Zijing Court Jingtian Road Futian District Shenzhen PRC	Chinese
LAM Ming Yung	Flat B, 4th Floor Block 5, Bayview Garden 633 Castle Peak Road Tsuen Wan, New Territories Hong Kong	Chinese
JIANG Ming Le	No. 24-404 Zulinjin Court Dongtai Road Gulou District Fuzhou Fujian PRC	Chinese

PARTIES INVOLVED

Joint-sponsors	China Everbright Capital Limited 40th Floor Far East Finance Centre 16 Harcourt Road Hong Kong MasterLink Securities (Hong Kong) Corporation Limited Unit 2603, 26th Floor The Center 99 Queen's Road Central Central Hong Kong
Legal advisers to the Company	*As to Hong Kong Law:* Sidley Austin Brown & Wood 49th Floor Bank of China Tower 1 Garden Road Central Hong Kong *As to Cayman Islands Law:* Conyers Dill & Pearman, Cayman Century Yard Cricket Square Hutchins Drive P.O. Box 2681 GT George Town Grand Cayman British West Indies *As to PRC Law:* Chen & Co. Suite 1901, North Tower Shanghai Stock Exchange Building 528 Pu Dong Nan Road Shanghai 200120 PRC
Auditors and reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 26th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Property valuer	Greater China Appraisal Limited Room 2407 Shui On Centre 6-8 Harbour Road Wanchai Hong Kong

CORPORATE INFORMATION

Registered office	Century Yard Cricket Square Hutchins Drive P.O. Box 2681 GT George Town Grand Cayman Cayman Islands British West Indies
Head office and principal place of business in the PRC	No. 37 Jintang Road Jinshan Industrial Zone Cangshan District Fuzhou Fujian Province 350002 PRC
Principal place of business in Hong Kong	Unit 908, 9th Floor K. Wah Centre No. 191 Java Road North Point Hong Kong
Company websites	http://www.goldigit-hi-tech.com http://www.goldigit.com
Company secretary	CHEUNG Ying Kwan, *FCCA, AHKSA*
Audit committee	SUN Juyi LAM Ming Yung JIANG Ming Le
Authorised representatives	LAO Seng Peng Flat F, 24th Floor Yuan Kung Mansion 20 Tai Koo Shing Road Hong Kong CHEUNG Ying Kwan Flat G, 2nd Floor, Block 3, Site 4 Whampoa Garden Kowloon Hong Kong
Cayman Islands principal share registrar and transfer office	Bank of Butterfield International (Cayman) Limited Butterfield House Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands British West Indies

CORPORATE INFORMATION

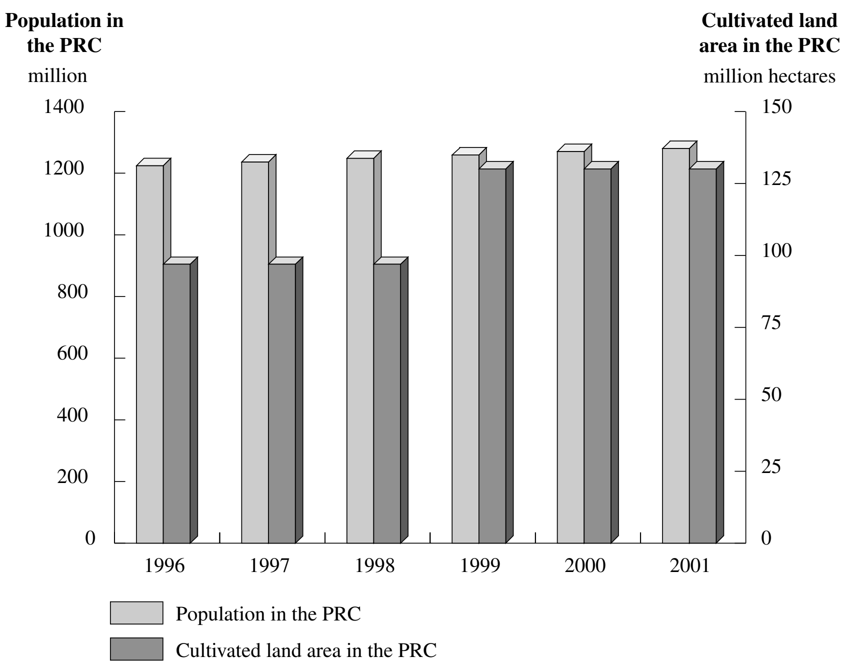
Hong Kong branch share registrar and transfer office	Hong Kong Registrars Limited Rooms 1901-5, 19th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	CITIC Industrial Bank Fuzhou Branch No. 99 Hu Dong Road Fuzhou Fujian Province PRC Chiyu Banking Corporation Limited 390-394 King's Road North Point Hong Kong

Information contained in this section has been extracted from official or unofficial publication, or has been obtained from discussions with relevant governmental or industrial bodies or organisations. The Company has not undertaken any independent verification of such information and accepts no responsibility for the accuracy of such information.

INDUSTRY BACKGROUND

The PRC agriculture industry

In 2002, the population of China was approximately 1.28 billion, comprising approximately 20.7% of the world population. China had approximately 130.0 million hectares of cultivated land in 2001. From 1996 to 2002, the population of China increased by approximately 4.9% from 1.22 billion to 1.28 billion.



Sources: *China Statistical Yearbooks 1997 to 2002*
National Bureau of Statistics of China

In the Guidelines on Preferred High Technology Industries for Immediate Development (當前優先發展的高技術產業化重點領域指南) jointly prepared by the State Commission of Development and Planning (國家發展計劃委員會) and the Ministry of Science and Technology (國家科學技術委員會) in June 1999, modernisation of the agricultural technology was stated as one of the top priorities for development. During Central Agriculture and Rural Work Meeting (中央農村工作會議) held in March 2003, the PRC government stated that bringing resolutions to issues relating to agricultural industry, rural area and farmers are the primary goals. In the work report of the Tenth National People's Congress (第十屆全國人民代表大會) held in March 2003, the strengthening of the foundation of the agricultural industry was listed as one of the primary goals of the PRC government.

Development of the pesticide industry of the PRC

According to the Directors, the PRC agricultural industry has been threatened by industrial pollutions and improper applications of pesticides, which lead to deterioration of the overall ecological environment for agriculture. In particular, according to the Directors, the applications of large volume of chemical pesticides with high toxicity have resulted in destroying the biological balance chain, strengthening of pests resistance to drugs, increasing reliance on pesticides as well as causing both direct and indirect harm to applicants of pesticides and consumers of grains and produces.

In June 1999, the State Development and Planning Commission (國家發展計劃委員會), and the Ministry of Science and Technology (國家科學技術委員會) jointly announced the "Guidelines on Preferred High Technology Industries for Immediate Development" (當前優先發展的高技術產業化重點領域指南) which stressed the modernisation of the agricultural technology as one of the top priorities for development. At the same time, the PRC government has placed strict pollution controls over chemical matters and environmental protections as the directions of continual development of the pesticide industry of the PRC.

The continual increase in living standards and the increase in demands for meat, marine products, fruits and vegetables will drive up the levels of pesticides required for fruits and vegetables. The Directors believe that the development of the rural economy, in particular, the exploitation of the central and western regions, will lead to increases in usages of paddy pesticides. The Directors are of the view that in the PRC, certain changes in the structure of paddy pesticides will evolve as the techniques of paddy plantation are currently undergoing changes from transplanting to direct sowing and from body transplant to off-body transplant. With the increase in the area being sowed, the area under pests will also increase. The development of pesticides towards the directions of efficiency means that the application of pesticides will reduce to a level below that of the present level.

The Directors are of the view that the trend of the PRC pesticide market is towards stability in demand. According to the Tenth Five-year Plan (第十個五年計劃), the target of the PRC pesticide industry is to satisfy the demand of agricultural productions with the support of the two scientific research and development centres. The core issues are to adjust the product and industry structures, accelerate the development of new products, forms and prescriptions, strengthen the prevention and cure of three wastes and upgrade the overall level of techniques of the PRC pesticide industry by foreign cooperation.

The Directors expect that through adjustments made during the Tenth Five-year Plan (第十個五年計劃), the number of key pesticide production enterprises will be reduced to 40, of which 15 are large pesticide production enterprises and the production of raw pesticides will be much more concentrated as the volume of raw pesticides produced by key pesticide production enterprises will take up over approximately 60% of the total production volume.

The PRC pesticide industry has progressed from scratch with relatively quick development achieved during the past two decades of open reforms. It has now formed a relatively more complete system of scientific research and development, industrial production, production marketing and sales and a relatively complete industry system of raw materials, intermediaries, integrated raw pesticides and processing of prescriptions. In 2001, the total production of pesticides in the PRC was over 690,000 tonnes. However, the product structure of the pesticide industry is far from rational, with insecticides being the major product accounting for approximately 60% of the total production volume of pesticides.

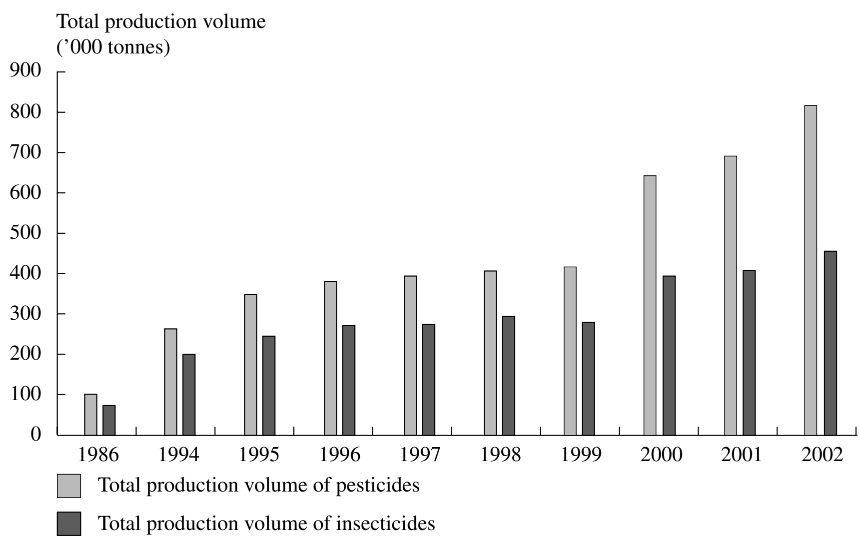
The Directors expect that by 2015, the number of key pesticide production enterprises will be reduced to around 30, of which large production enterprises will be reduced to around 10 and the raw pesticide production of these enterprises will account for approximately 80% of the total production volume. The Directors expect that during the Tenth Five-year Plan (第十個五年計劃) period, the key adjustment of the product structure of pesticides will still be the rationalisation of the proportions of insecticides, germicides and herbicides, coupled with the upgrade of the level of satisfaction towards pesticide production and the grading of pesticides exported.

SUPPLY AND DEMAND OF PESTICIDES IN THE PRC

Changes in annual production capacity of pesticides in the PRC

The production volume of pesticides has increased significantly from 122,200 tonnes in 1986 to 822,000 tonnes in 2002, an increase of over 5.7 times. In the PRC, pesticides are mainly classified into four different forms, namely, insecticides, fungicides, herbicides and plant growth regulators. In the PRC, pesticide production is dominated by insecticides. In 2002, insecticides accounted for approximately 56% of the total production volume of pesticides. The following graph illustrates the production volume of pesticides and insecticides in 1986 and during the period from 1994 to 2002:

Production volume of pesticides and insecticides in the PRC (measured at 100% contents, '000 tonnes)



Sources: Ministry of Chemical Industry, Petroleum & Chemical Industry Bureau, National Bureau of Statistics and China Petroleum and Chemical Association

FUTURE DEVELOPMENT OF PESTICIDES IN THE PRC

The Directors consider that new chemical pesticides are different from the original concept of traditional pesticides. Future pesticides will have safe prescriptions with high activity and selectivity so as to satisfy the increasing strict requirements of environmental protection. The Directors consider that new pesticides with high effectiveness, low toxicity, low residue and low dosage will be the development direction of chemical pesticides in the future.

The Directors are of the view that due to the time-consuming and labourious nature of prevention of paddy pests, the cost of deploying pesticide has largely exceeded the cost of purchasing pesticide on a combined cost basis. Hence, the requirements of new products developed by pesticide companies in the future will not only be on the competitiveness of sales price but also on the continuing reduction of usage cost of the products which in turn will provide farmers with high quality products at low combined costs.

Major paddy pests in the PRC and the traditional pest control

According to《2002 China Agriculture Yearbook》, "in 1999, the total area subject to paddy pests nationwide was 353 million hectare times", major pests in the PRC are rice planthoppers, Asian rice gall midges and rice leaffolders. According to the Directors, in recent years, the rice water weevils have also became a paddy pest in the PRC.

Generally, adults and larvae of rice planthoppers (稻飛蝨) gather at the lower part of paddy stem and pierce into the paddy tissue with their proboscis to suck juice. According to《2002 China Agriculture Yearbook》, in 2001, the affected areas due to this pest amounted to 15.3 million hectare times. The Directors believe that in the PRC, the common practice of controlling rice planthoppers is by spraying of buprofezin water powder.

Asian rice gall midge (稻癭蚊) is a kind of pest that is dangerous to paddy growth. It damages the paddy by boring, but there is no obvious symptom in the early stage. Once the growing point is destroyed, the paddy would grow leaves only but without any seed. In 2001, the area of paddy planting regions in southern China affected by Asian rice gall midges amounted to over 1 million hectare times. The Directors believe that the common practice of controlling this pest is using the pesticide ethoprophos.

Rice leaffolder (稻縱卷葉螟) is a kind of paddy pest with the habit of migration, which can be found in southeast and northeast Asia. They destroy paddy leaves, cause the degradation of spikelets and spike-stalk, increase the rate of empty seeds, and reduce seed-setting. The Directors believe that in the PRC the commonly applied pesticides in preventing this pest are 25% bisultap water powder and 50% methamidophos emulsion cream.

Rice water weevil (稻水象甲) is a kind of damaging quarantined paddy pest. The Directors believe that in the PRC, the common practice of controlling rice water weevil include carbofuran and etofenprox.

Regulations of the PRC pesticide industry

In the PRC, pesticide is a specialised industry that is under the regulation of a number of government authorities and subject to a registration and licensing system. According to the Management Provisions on Pesticide《農葯管理條例》, the primary legislation governing the pesticide industry, for the whole process of development, production and distribution of pesticide product, enterprises must possess two certificates and one approval, namely, pesticide registration certificate (or provisional pesticide registration certificate), pesticide production permit certificate and approval on product quality standard. In recent years, as a result of the structural adjustments implemented by the PRC government in respect of the pesticide industry, the supervision and regulation over pesticide production are getting much more stringent.

In the PRC, every pesticide has to obtain an approval on product quality standard. Upon passing the tests on the product quality standard of the pesticide, the local technology supervisory authority (質檢機構) will issue an approval to such pesticide on the product quality standard. Products that have failed to obtain such approval are not allowed to be produced.

Pursuant to the Management Provisions on Pesticide《農葯管理條例》, enterprises engaged in the development of production of pesticides (including raw material production, processing and packing) and the import of pesticides must be registered. The registration of a pesticide is divided into three phases, namely, the field trial phase, the provisional registration phase and the formal registration phase.

According to the Management Provisions on Pesticide《農葯管理條例》, the PRC government has implemented a pesticide registration system whereby a pesticide can only be introduced to the market for sales after it has undergone a registration process (or a provisional registration process) and obtained a pesticide registration certificate (or a provisional pesticide registration certificate). Before applying for the provisional pesticide registration certificate, a pesticide is required to undergo a series of tests including ingredient (成分含量測定) and quality test (質量檢驗), toxicity test (毒理學試驗), biological activity test (室內活性測定報告), 2-year and 4-region field trial (2年4地區測驗), environmental test (環境生態測驗) and residue test (殘留測驗). After such pesticide pass the tests, the Ministry of Agriculture will then issue a provisional pesticide registration certificate, which allows the pesticide to be registered under the Ministry of Agriculture and to be sold in the market. The provisional pesticide registration certificate should be renewed every year. An application for a formal pesticide registration certificate should be lodged to the Ministry of Agriculture within four years after obtaining the provisional pesticide registration certificate. Before applying the formal registration certificate, the pesticide will undergo another series of tests including 2-year temperature and storage test (2年常溫儲存試驗), toxicity test (毒理學試驗), 1-year and 2-region field trail (1年2地區測驗), residue test (殘留測驗) and environmental test (環境生態測驗). A formal pesticide registration certificate will only be issued if the pesticide passes the tests.

The State has also implemented a pesticide production permit certificate system whereby a pesticide manufacturer is not allowed to produce any pesticide unless it has obtained a pesticide production permit certificate. The Economic and Trade Commission (經濟貿易委員會) of local provinces in the PRC carry out preliminary examinations on manufacturers' applications for pesticides production permit certificates and report the acceptable applications to the National Development and Reform Commission (國家發展和改革委員會) for further approval. The certificate is granted by the National Development and Reform Commission (國家發展和改革委員會) and it is valid for 5 years for raw material production, 3 years for preparation processing and 2 years for packaging.

Prior to the delivery of pesticide products from the factory to wholesalers and retailers, all product packaging must have labels or with instructions attached.

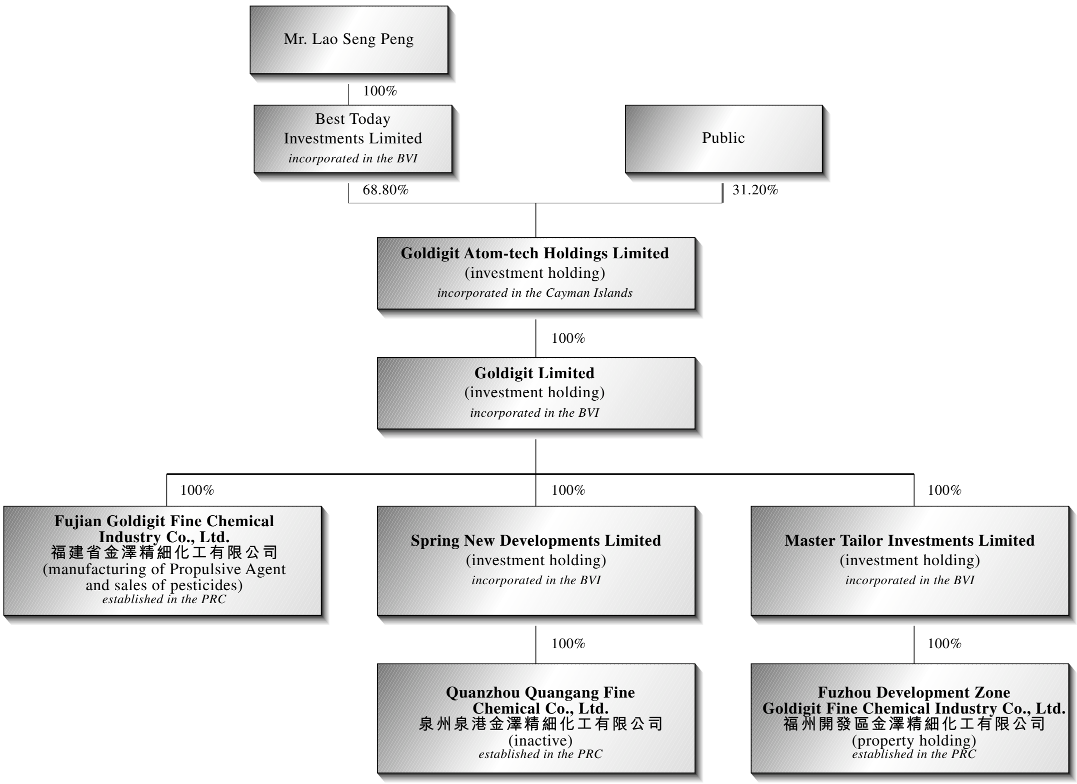
The Management Provisions on Pesticide《農藥管理條例》and the implementation of the rules are administrative measures designed to strengthen the administration over pesticides through stringent assessment in accordance with established standards and procedures in terms of development, production and distribution. Under such regulatory frame work, it takes a long period of time to have a new or imported pesticide registered for production and distribution in the PRC and therefore the entry barrier of the industry is relatively high.

GOVERNMENTAL SUPPORT ON HI-TECH PESTICIDE INDUSTRY IN THE PRC

All levels of local governments in the PRC have set up series of special policies for supporting the development of hi-tech companies. The Fujian provincial government has set up a special policy that uses tax preferences in promoting the development of hi-tech companies (including the hi-tech pesticide manufacturers). Hi-tech companies are to be exempted from income tax for two years and thereafter a reduction in tax rate to 15%. In particular, whilst conducting macroeconomic controls over the pesticide chemical industry and adjusting the structure and volumes of pesticide types, the government emphasises on supporting new hi-tech companies in developing and producing new pesticides. The Ministry of Finance (財政部) and the State Tax Administration (國家稅務總局) promulgated policies dated 20th July, 2001, and still in effect as at the Latest Practicable Date, which enhance the external condition of pesticide production under the "Notice on the question of exempting VAT relating to certain production materials" (關於若干農業生產資料免徵增值稅問題的通知) by imposing a 13% defensive VAT on pesticide products, whereby major pesticide products were later exempted; a guaranteed exemption of US$100 million over imported raw material intermediaries with import VAT being paid and later refunded; low season reserve capital of pesticide; an annual amount of RMB150 million to RMB200 million of low interest or interest free loans for technology improvement of pesticides and to promote the increase of economic interest of the industry and companies. The PRC government also actively protects and supports highly effective, non-polluted new pesticide products.

GROUP STRUCTURE

The following chart summarises the shareholding structure and the subsidiaries of the Company as at the Latest Practicable Date:



Notes :

1. As at the date of this document, Best Today holds 1,169,479,600 Shares, representing approximately 68.80% of the issued share capital of the Company.

2. Best Today is a company incorporated in the BVI on 28th February, 2001 and wholly owned by Mr. Lao.

HISTORY AND DEVELOPMENT

History

Prof. Cai and the research team of Harbin Institute of Technology initially developed a new paddy pesticide named Sha Shi Ba (殺虱霸) in January 1995. Since the new pesticide enables the chemical molecules of the pesticide to diffuse more swiftly on the surface of water, it eliminates the use of spraying equipment and can be applied directly on the surface of water. According to the relevant regulations of the PRC, every new pesticide is required to be registered. Before the issuance of the registration certificate, the pesticide must undergo the field trial phase by which field experiments will be performed to test the efficiency of the pesticide over 2 years in 2 different regions (such regulation was changed to 2 years in 4 different regions on 12th April, 2001). In October 1995, the field experiments for Sha Shi Ba (殺虱霸) was commenced by different independent agricultural institutions. After obtaining satisfactory results of the field experiments for Sha Shi Ba (殺虱霸), toxicity trials were conducted by the testing centre administered by the Ministry of Chemical Industry (化學工業部) in September 1997. Between

October 1995 and September 1997, Prof. Cai looked for investment capital for the commercial production of Sha Shi Ba (殺虱霸). He approached Mr. Chen (being one of the vice-general managers of the Group when the Shares were listed on GEM on 9th July, 2001) who then established Fujian Goldigit with three other investors, namely Mr. Zheng Zi Wang, Mr. Guo Da Jie and Ms. Wen Ru Wei, who are Independent Third Parties, in October 1997. The then registered capital of Fujian Goldigit was RMB3 million which was fully paid up. Mr. Chen then drafted the product quality standard for Sha Shi Ba (殺虱霸) and in November 1997, Fujian Goldigit applied through Fujian Petroleum and Chemical Industry Bureau (福建省石油化學工業廳) to Fujian Provincial Technology Supervision Commission (福建省技術監督局) for adoption of the product quality standard of Sha Shi Ba (殺虱霸). As advised by the PRC legal advisers to the Company, the Fujian Petroleum and Chemical Industry Bureau (福建省石油化學工業廳) is the direct authority of Fujian Goldigit and is the only proper window and channel for Fujian Goldigit to apply to the Fujian Provincial Technology Supervision Commission (福建省技術監督局) for adoption of the product quality standard of Sha Shi Ba (殺虱霸). In December 1997, Fujian Provincial Technology Supervision Commission (福建省技術監督局) published the mandatory product quality standard for pesticide based on the standard drafted by Fujian Goldigit. In January 1998, the exclusive manufacturing and distribution rights of Sha Shi Ba (殺虱霸) were acquired by Fujian Goldigit from Harbin Institute of Technology at a consideration of RMB2 million which was arrived at after arms' length negotiation with Harbin Institute of Technology whereby the number of technical workers worked on the project and the man hours used to develop such know-how were considered. The Directors confirm that the payment had been fully paid in 5 instalments in accordance with the acquisition agreement. The first instalment of RMB200,000 was paid on the date when the agreement became effective. The second instalment of RMB300,000, third instalment of RMB200,000 and fourth instalment of RMB500,000 were paid in 1998, 2000, 2001, respectively. The final instalment of RMB800,000 was paid and settled in 2002.

After obtaining the provisional pesticide registration certificate issued by Ministry of Agriculture on 4th February, 1998, Mr. Chen began to plan for the production of Sha Shi Ba (殺虱霸). On 21st March, 1998, pursuant to four share transfer agreements, the equity interests in the registered capital of Fujian Goldigit held by Mr. Zheng Zi Wang, Mr. Guo Da Jie, Ms. Wen Ru Wei, accounting for 30%, 20% and 20% equity interests respectively, together with 10% equity interest held by Mr. Chen were transferred to Ms. Liu Lan Hua, the sister of Mr. Lao, at a consideration of RMB2.4 million, which was fully settled with funding provided by Mr. Lao. The consideration for the transfers was based on the registered capital of Fujian Goldigit. The remaining 20% equity interest of Fujian Goldigit was held by Mr. Chen. On 21st March, 1998, Mr. Lao also entered into a trust agreement with Ms. Liu Lan Hua pursuant to which Ms. Liu Lan Hua was authorised to acquire and hold the 80% equity interest in Fujian Goldigit on trust for Mr. Lao. The opinion of the PRC legal advisers to the Company states that the above trust agreement did not contravene any PRC laws and was legally binding on and enforceable by the relevant parties to the agreement. As advised by Mr. Lao, an executive Director, the reason for using a trust agreement was because it would enable him to capture the time advantage on the completion of his investment in Fujian Goldigit. According to the PRC legal advisers of the Company, any foreign investor who acquires an interest in a PRC domestic enterprise would require a processing time of approximately three months. At the time of the trust agreement, Mr. Chen, Mr. Zheng Zi Wang, Mr. Guo Da Jie and Ms. Wen Ru Wei (the "Investors") were looking to sell their equity interests in Fujian Goldigit, and if Mr. Lao did not use a trust agreement to complete the transfer, the Investors could have sold the equity interests in Fujian Goldigit to other investors rather than Mr. Lao. In addition, according to the legal opinion of the PRC legal advisers to the Company, despite Mr. Lao's identity as a foreign investor, his holding of an interest in a PRC domestic enterprise through the trust agreement does not contravene the relevant laws and regulations in relation to foreign investment in the PRC.

In March 1998, Fujian Goldigit invited Prof. Cai to join the Group to lead its research and development activities. The Group undertook further research and development activities on the pesticides and in December 1998, the propellant molecules were successfully isolated from the chemical molecules of the pesticides. The propellant molecules were then named as the Propulsive Agent by the Group and the core technology of the paddy pesticide was named as Propulsive Agent technology. Since December 1998, the Group began the mass production of Sha Shi Ba (殺虱霸) with Propulsive Agent and the manufacturing process of the pesticide was carried out by Fuzhou No. 1 Refinery, an Independent Third Party, which is qualified for pesticide manufacturing. Since October 2000, the Group began mass production of the Propulsive Agent by itself in Fuzhou, the PRC.

In September 1998, the Group successfully applied the Propulsive Agent on another chemical raw material of pesticides, chlorpyrifos. This new pesticide was named Dao Ying Wen Jing (稻癭蚊淨) by the Group. Dao Ying Wen Jing (稻癭蚊淨) is a pesticide which kills Asian rice gall midges. The field trial phase of this product commenced in November 1998 and the toxicity trial was conducted in April 1999. Due to the demand for the pesticide and the effectiveness of the pesticide in killing Asian rice gall midges. Dao Ying Wen Jing (稻癭蚊淨) received special approval from the Ministry of Agriculture to have an early issuance of the provisional pesticide registration certificate. In August 1999, the provisional pesticide registration certificate of Dao Ying Wen Jing (稻癭蚊淨) was issued to the Group. The mass production of Dao Ying Wen Jing (稻癭蚊淨) began in August 2001, and was launched in the market in the second half of 2001. It is expected that the formal pesticide registration certificates for Jin Ze Ling No. 1 (金澤靈1號) (formerly known as Sha Shi Ba (殺虱霸)) and Dao Ying Wen Jing (稻癭蚊淨) will be issued in or around May 2005.

In order to formalise and rationalise the shareholding structure of Fujian Goldigit, Goldigit Limited entered into a share transfer agreement with Mr. Chen and Ms. Liu Lan Hua (on trust for Mr. Lao) on 25th September, 2000 transferring their respective 20% and 80% equity interests in Fujian Goldigit to Goldigit Limited, a company which was wholly owned by Mr. Lao at that time, at a consideration of RMB600,000 and RMB2,400,000 respectively ("Share Transfer") based on the registered capital of Fujian Goldigit. Pursuant to the approval document dated 29th September, 2000 and issued by Fujian Province Foreign Trade and Economic Cooperation Bureau (福建省對外貿易經濟合作廳), Fujian Goldigit obtained the status as a wholly foreign-owned enterprise with a registered capital of HK$3,000,000 (increased from the original RMB3,000,000). Goldigit Limited injected HK$3,000,000 into Fujian Goldigit on 22nd December, 2000 to satisfy the registered capital and capital verification requirements of Fujian Goldigit, and instructed Fujian Goldigit to transmit RMB2,400,000 and RMB600,000, being the RMB registered capital amount to Ms. Liu Lan Hua (on trust for Mr. Lao) and Mr. Chen, respectively in order to satisfy the considerations payable to Ms. Liu Lan Hua (on trust for Mr. Lao) and Mr. Chen in relation to the Share Transfer. After receiving the sum of RMB2,400,000, Ms. Liu Lan Hua returned the full amount to her brother Mr. Lao. As a result, the investment cost of Mr. Lao in Fujian Goldigit, through the investment holding company, Goldigit Limited, is HK$3,000,000. Fujian Goldigit is the flagship vehicle for the development of the core business of the Group in the PRC.

On 28th December, 2000 and 15th February, 2001, respectively, Mr. Lao, through the introduction of Fujian Xingye Stock Securities Company Limited (福建興業證券股份有限公司), transferred 5%, 4.5% and 4.5% of his then shareholding interest in Goldigit Limited to three investors, namely Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan respectively for considerations of HK$17,500,000, HK$15,750,000 and HK$15,750,000. All these three investors are independent of Mr. Lao and are Independent Third Parties. They invested in the Group as they expected that the business of the Group would provide satisfactory returns to their investments and they also anticipated to make capital gains in their investments.

On 22nd June, 2001, the Company acquired the entire issued share capital of Goldigit Limited from Mr. Lao, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan. The Company, in consideration thereof, allotted and issued 85,998 Shares, 5,000 Shares, 4,500 Shares and 4,500 Shares, credited as fully paid up capital, to each of Best Today (at the direction of Mr. Lao), Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan, respectively, based on their shareholdings in Goldigit Limited and no monetary consideration was involved. As a result, both Goldigit Limited and Fujian Goldigit became wholly owned subsidiaries of the Company and Best Today, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan held 86.0%, 5.0%, 4.5% and 4.5% of the shareholding interest of the Company, respectively.

In order to enhance the Group's capital base and to obtain funding for the expansion plan and the implementation of its business strategy, the Company sought for a listing of its Shares on GEM, pursuant to which the Company offered 340,000,000 new Shares for subscription and Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan offered 85,000,000 sale Shares for sale pursuant to the Placing (as defined in the Prospectus). Immediately upon the completion of the Placing and the Capitalisation Issue (both terms as defined in the Prospectus), each of Best Today, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan held 1,169,479,600 Shares, 37,637,000 Shares, 33,869,700 Shares and 33,873,700 Shares respectively, representing approximately 68.80%, 2.22%, 1.99% and 1.99% of the issued share capital of the Company as enlarged by the Placing and the Capitalisation Issue (both terms as defined in the Prospectus). The Shares were successfully listed on GEM on 9th July, 2001, raising net proceeds of approximately HK$158 million.

In November 2001, the Group purchased a piece of land with an intention to establish its research and development centre and production facility for the production of the Propulsive Agent. The land is situated at No.37 Jintang Road, Jinshan Industrial Zone, Cangshan District, Fuzhou, Fujian Province, the PRC with an area of approximately 9,953 sq.m. The first phase of construction of the research and development centre, with a total construction floor area of approximately 7,699 sq.m., commenced in April 2002 and was completed in December 2002. The second phase of the research and development centre is expected to have a total construction floor area of approximately 7,969 sq.m. and it is intended to be used for the purposes of research and development, and testing of products. The construction of the second phase of the research and development centre is expected to commence in the first quarter of 2004 and be completed in the second half of 2004.

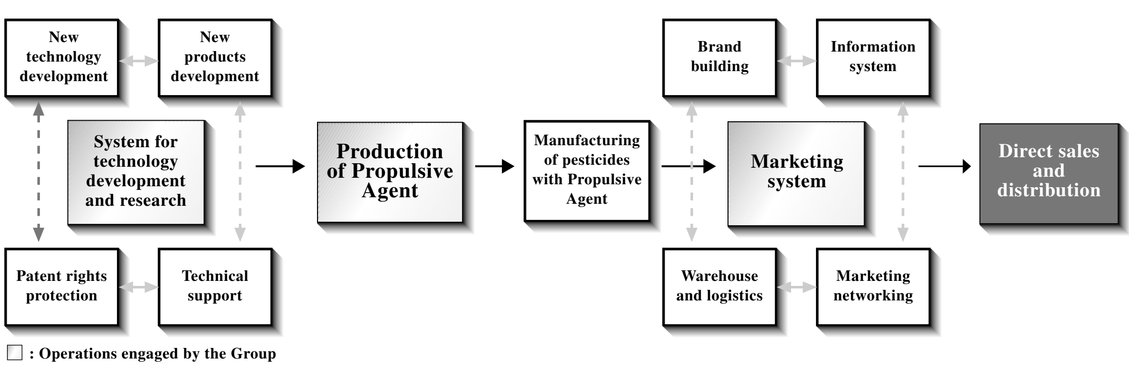
Pursuant to the Group's strategy to strengthen the production capability of the Propulsive Agent and to accommodate the production of new products in the future, on 16th November, 2001, the Group established Quanzhou Quangang. Quanzhou Quangang acquired a piece of land with an area of approximately 25,307 sq.m. in Quanzhou, Fuijian province, the PRC on 24th November, 2001 at a consideration of approximately RMB5.69 million with the intention to establish a production facility for the production of the Propulsive Agent and other new pesticides of the Group. However, the Group was notified by the developer on 25th March, 2003 that due to the modification of town planning in the area, the developer would be required to re-purchase the land from the Group and on 4th April, 2003, the Group entered into an agreement with the developer and sold the piece of land back to the developer at a consideration of approximately RMB6.07 million. The delay of establishing an additional production facility has no material adverse impact on the Group's production capacity as the Group currently has only two products for sale in the market and the new products will not ready to launch until around 2004.

During an auction held by Fujian Oriental Action Auctioneer (福建東方拍賣行) on 18th December, 2002, the Group bid for a piece of land and buildings situated at Ma Wei District, Fuzhou, Fujian province, the PRC with a site area of 21,313.4 sq.m. at the bidding price of RMB27.5 million. The property, formerly known as the land, factory buildings and ancillary buildings of the first phase of Fuzhou Development Zone Ao Li Wei Electronic Technology Development Co., Ltd., was formerly held by Ao Li Wei which is an Independent Third Party. Ao Li Wei was engaged and lost in a lawsuit with the Contractor and Ao Li Wei subsequently failed to fulfill its obligation of paying the Contractor. The Fuzhou Municipal Intermediate People's Court (福州市中級人民法院) ordered to close the property and authorised Fujian Oriental Action Auctioneer (福建東方拍賣行) to sell the property by auction. Pursuant to a civil adjudgement dated 12th March, 2003, Fuzhou Municipal Intermediate People's Court (福州市中級人民法院) adjudged that the ownership of the property would be transferred to the Master Tailor, effective from 24th March, 2003. Transfer of ownership over the property from the former owner to Master Tailor was made on 14th March, 2003. On 15th March, 2003, Master Tailor authorised Fuzhou Goldigit to use the property. The total consideration for the acquisition is approximately RMB35.4 million which comprised of the bidding price and auctioneer's handling charges of RMB27.5 million and approximately RMB1.4 million respectively and the amounts of RMB27.5 million and approximately RMB1.4 million were fully paid by the Group on 17th July, 2003. The Group further paid, on 21st July, 2003, the land premium of approximately RMB5.4 million, property tax and land management fee of approximately RMB0.3 million to Fuzhou Ma Wei State-owned Land Resources Bureau (福州市馬尾區國土資源局). The remaining consideration, namely property tax of approximately RMB0.8 million, will be paid upon the issuance of the land use rights certificate. The Group and Fuzhou Ma Wei State-owned Land Resources Bureau (福州市馬尾區國土資源局) entered into an agreement to transfer the land interest of the subject property on 23rd May, 2003. The Group is in the process of applying for the land use rights certificate and expects to obtain such certificate in or around October 2003. The renovation of the production facility is expected to commence in first quarter of 2004. The Group intends to use the site as a new production facility and expects that the new production facility will commence trial production in the fourth quarter of 2004. The land and buildings situated at Ma Wei District are considered not crucial to the activities of the Group as currently there is no production carried out in the property and the Directors expect that the land and buildings situated at Ma Wei District will not be ready for operation until the fourth quarter of 2004.

BUSINESS OF THE GROUP

At present, the Group outsources the manufacturing of the pesticides to Fuzhou No. 1 Refinery, an Independent Third Party, while the Group focuses on the development and production of the Propulsive Agent and the building up of its market networking. This operating model has greatly simplified the organisation structure of the Group, reduced operating costs and enhanced its operating efficiency. The Group can deploy its major resources in strategic keypoints like research and development and marketing and sales to achieve better operating results.

The business model flowchart



The Group's research and development functions mainly consist of four elements, namely, new technology development, new products development, patent rights protection and technical support. The marketing and sales functions of the Group also mainly consist of four elements, namely, brand building, information system, warehouse and logistics, and marketing network.

The special features of the Group's business model are:

- simple operation structure – by outsourcing the production process of the pesticides to Fuzhou No. 1 Refinery and concentrating on the production of the Propulsive Agent, the Group can devote its resources to capital management and human resources management. This enables the Group to streamline its internal organisation.

- low operating costs and low level of inventory – since the substantial production functions are performed by Fuzhou No. 1 Refinery, all manufacturing overhead costs are eliminated and the administration costs are reduced. Accordingly, the operation costs of the Group can be effectively controlled. In addition, the inventory can be maintained at a low level since the Group will only order the processing agent to commence production once purchase orders are received.

- responsiveness to market – since all the production functions are outsourced to Fuzhou No. 1 Refinery, the functions of internal operation are specific and efficient enabling the Group to respond swiftly to any changes in market conditions.

THE PROPULSIVE AGENT TECHNOLOGY

Origin of the technology

Prof. Cai started to research on the applications of molecular materials science in the research towards the improvement and innovation of pesticide in 1994. At the end of 1995, he launched a new type of paddy pesticide through the application of the chemical theory of super-molecule, Sha Shi Ba (殺虱霸), which was later renamed as Jin Ze Ling No. 1 (金澤靈1號).

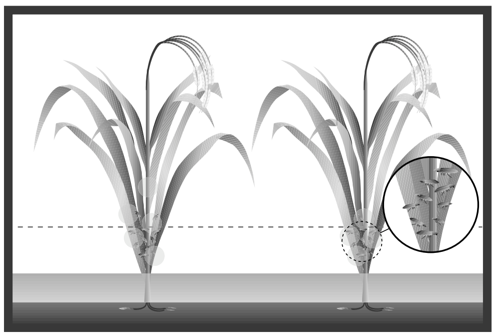
Innovative technology

The essence of the Propulsive Agent technology is based on the chemical theory of super-molecule. According to Prof. Cai, the theory states that when two molecules are associated (i.e., non-covalent bond combination), each molecule in the newly formed mixture will take on some new characters under the influence of its proximate molecules, which they did not possess previously (i.e. the characters of each interrelated molecule in any newly formed super-molecular chemical mixture depends not only on its structure but also the influence of its proximate molecule). Based on this concept, associate molecules with repelling nature can be elaborately structured and associated with the principal molecule of the pesticide without affecting the molecular structure of the principal molecule. Since the Propulsive Agent is specifically designed to contain repelling characteristics, the newly formed mixture enables principal molecules of the pesticide to diffuse profusely along the water surface and achieve the purpose of target application.

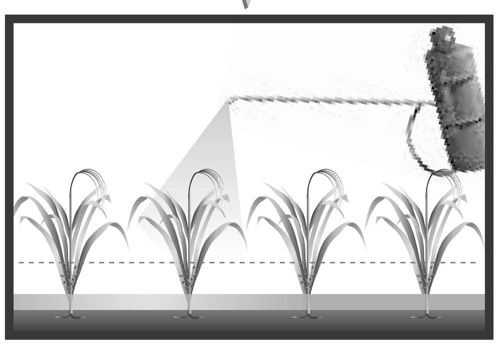
Propulsive Agent is a chemical solvent agent which possesses automatic diffusion and propulsion on water surface and the core technology of the paddy pesticide was named by the Group as Propulsive Agent technology. Propulsive Agent by itself is not a pesticide and cannot kill any insects or pests but when it is mixed with pesticides, the mixture can automatically diffuse profusely along water surface and conduct upward along the exterior of paddy stems and kills insects or pests.

Traditional paddy pesticide

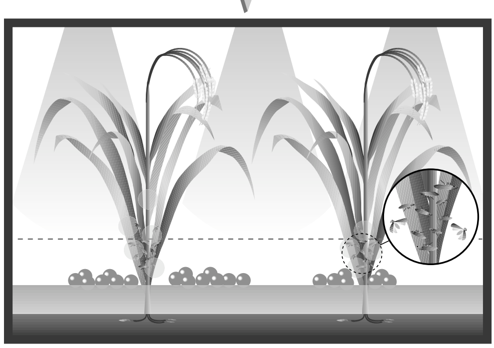
The application method of traditional paddy pesticide is a "top-down" approach, using equipment to spray the granules of pesticides on the surface of paddy leaves. The efficiency of this application method relies heavily on the spray nozzles which influence the droplet size and distribution of the pesticide. Using the traditional method of spraying, the pesticide applied may be unevenly distributed and the penetration rate is low since most droplets fall mainly on the upper part of paddy leaves. As a result, the application method is not efficient to kill pests and high volume of pesticide is required for application. In addition, the traditional application method creates off-target spraying problems and unnecessary environmental contamination.



Gathering at paddy stems above water surface near harvesting time, pests cause severe damage to the fields by eating in the stem and laying eggs on its surface.



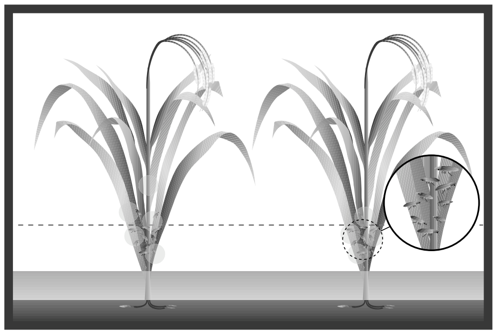
Traditional pesticide is a "top-down" approach using equipment to spray the granules of pesticides on the surface of paddy leaves.



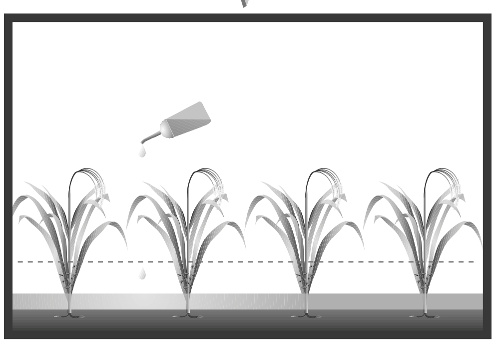
By spraying, it is difficult for pesticides to reach the pests gathering at the bottom part of the paddy stems. Considerable amount of pesticides stay on the leaves and water surface causing wastage and pollution.

Target Propellent New Pesticide

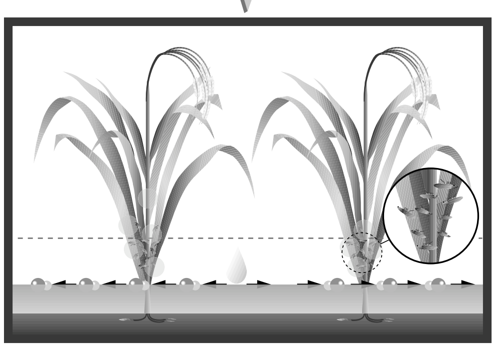
The application method of the Target Propellant New Pesticide is direct dosage on the water surface. Since the Propulsive Agent allows the molecules of the pesticide to diffuse profusely along the surface of water, the droplets of the pesticide can be distributed evenly on the water surface with the utmost coverage. Application of the pesticide is more straight forward eliminating the use of any application equipment. In addition, since the pesticide can disperse swiftly along the water surface, the penetration rate of the pesticide is higher. As a result, the Target Propellant New Pesticide can effectively reduce off-target contamination and environmental pollution.



Gathering at paddy stems above water surface near harvesting time, pests cause severe damage to the fields by eating in the stem and laying eggs on its surface.



Direct dosage on the water surface.



The chemical molecules of the Target Propellant New Pesticide automatically diffuse profusely along the water surface and conduct upward along the exterior of the paddy stems, eliminating the cumbersome spraying procedure while effectively killing the pests.

The principal differences between water surface diffusing application method of the Target Propellant New Pesticide and the traditional paddy pesticide are as follows:

- the Target Propellant New Pesticide has changed the granular drift of the pesticide into molecular diffusion so that the wastage of the pesticide during the process of application is reduced. Hence, the utilisation efficiency of the pesticide is enhanced and the amount of residues reduced;

- since most of the paddy pests inhabit on the paddy stems at around 10 cm. above the water surface, the traditional method of application by spraying the granules of the pesticide onto the surface of paddy leaves fails to achieve the targets of absorption and dispersal of the pesticide. The water surface diffusion characteristic of the Target Propellant New Pesticide helps to propel the pesticide to the water surface of the paddy stems, as the paddy stem is humid with a moist film, the pesticide can conduct automatically upward along the exterior of the paddy stem and reached the target;

- the Target Propellant New Pesticide has transformed the traditional clumsy, heavy, tiresome and harmful method of application into a new method of driving and automatic diffusing of pesticide on the water surface by the molecules of the Propulsive Agent. Thus, not only productivity is enhanced but it is also less harmful to the personal health of the pesticide users; and

- as the pesticide of the Target Propellant New Pesticide diffuses in terms of molecular size, the effective level of concentration of the pesticide is extremely low (at PPM level) which, in theory, has enhanced the safety aspect of its application in environmental protection.

Pursuant to the Appraisal Report issued by the State Economical Trade Committee (國家經濟貿易委員會) on 13th November, 1998 and the research report of the China Technology Intelligence Agency (國家科學技術信息研究所) issued on 27th March, 2000, it was stated that the Target Propellant New Pesticide possesses the following characteristics:

- it is a new dosage and application method with a brand new concept;

- it is the first one initiated internationally having achieved international advanced level;

- it can enhance the rate of labour productivity and the rate of prevention and cure significantly;

- it has high speeds and efficiency, achieving the target of killing 85% to 90% of pests within 8 to 20 days after application; and

- it has low toxicity reducing the pollution impact on the environment.

REGISTRATION AND APPROVALS

Provisional pesticide registration certificate

Pursuant to the Management Provisions on Pesticide《農藥管理條例》of the PRC, the PRC government has implemented a pesticide registration system whereby a pesticide can only be introduced to the market for sale after it has undergone a registration process (or a provisional registration of pesticide) and obtained a pesticide registration certificate (or a provisional pesticide registration certificate). Firstly, a pesticide has to go through a product quality standard stage where such pesticide has to meet certain standards. Upon passing the tests on the product quality standards of the pesticide, the local technology supervision authority will issue an approval to such pesticide on the product quality standard. Secondly, such pesticide has to obtain a provisional pesticide registration certificate from the Ministry of Agriculture allowing such pesticide to be sold in the market. The provisional registration process requires pesticides to undergo a series of tests including ingredient (成分含量測定) and quality test (質量檢驗), toxicity test (毒理學試驗), biological activity test (室內活性測定報告), 2-year and 4-region field trial (2年4地區測驗), environmental test (環境生態測驗) and residue test (殘留測驗). The provisional pesticide registration certificate should be renewed every year. Thirdly, an application for a formal pesticide registration certificate should be lodged to the Ministry of Agriculture within four years after obtaining the provisional pesticide registration certificate. Before applying the formal registration certificate, the pesticide will undergo another series of tests including 2-year temperature and storage test (2年常溫儲存試驗), toxicity test (毒理學試驗), 1-year and 2-region field trail (1年2地區測驗), residue test (殘留測驗) and environmental test (環境生態測驗). A formal pesticide registration certificate will only be issued if the pesticide passes the tests.

Fujian Goldigit has obtained a provisional pesticide registration certificate, which is issued by the Ministry of Agriculture, for each of Jin Ze Ling No. 1 (金澤靈1號), and Dao Ying Wen Jing (稻癭蚊淨) on 4th February, 1998 and 2nd August, 1999, respectively. These two provisional pesticide registration certificates were renewed by the Ministry of Agriculture and are valid until 13th January, 2004 and 30th June, 2004, respectively. The PRC legal advisers to the Company do not expect the Group to have any obstacles in obtaining renewal registration certificates for these two products. In addition, the Group has received a confirmation letter from the Ministry of Agriculture on 19th August, 2003 regarding the Management Provisions on Pesticide《農藥管理條例》which states that the sales of Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨) made by Fujian Goldigit under their respective provisional pesticide registration certificates are legal and valid and are not restricted in any way. The Group expects to obtain the formal pesticide registration certificates for Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨) in or around May 2005.

Pesticide production permit certificate

The State has also implemented a pesticide production permit certificate system whereby a pesticide manufacturer is not allowed to produce any pesticide unless it has obtained a pesticide production permit certificate. Two pesticide production permit certificates in respect of the production for Jin Ze Ling No. 1 (金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨) were issued in the name of Fuzhou No. 1 Refinery, an Independent Third Party and a stated-owned enterprise, which performs the manufacturing processes of pesticides and the addition of Propulsive Agent to the pesticides for the Group, on 1st March, 1998 and 1st August, 1999, respectively. The two pesticide production permit certificates expired on 1st March, 2003 and 1st August, 2002, respectively and Fuzhou No. 1 Refinery applied for the renewal certificates for Jin Ze Ling No.1

(金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨) on 10th February, 2003 and 9th July, 2002, respectively. The renewal of the pesticide production permit certificate of Dao Ying Wen Jing (稻癭蚊淨) was approved on 21st May, 2003 by the National Development and Reform Commission (國家發展和改革委員會) and issued on 22nd May, 2003. Pursuant to the public announcement published on the website of the National Development and Reform Commission (國家發展和改革委員會) on 8th September, 2003, the renewal approval of the pesticide production permit certificate for Jin Ze Ling No.1 (金澤靈1號) was granted to Fuzhou No.1 Refinery on 27th August, 2003 by the National Development and Reform Commission (國家發展和改革委員會) and the renewed pesticide production permit certificate will expire on 15th August, 2006. Fuzhou No.1 Refinery is expected to obtain the renewed pesticide production permit certificate for Jin Ze Ling No.1 (金澤靈1號) in or around September 2003.

Although the respective pesticide production permit certificates for Jin Ze Ling No. 1 (金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨) expired and renewal certificates were not issued on time, Fuzhou No.1 Refinery has obtained a written consent from the Economic and Trade Commission of Fujian Province (福建省經濟貿易委員會), which had liaised with the National Development and Reform Commission (國家發展和改革委員會), which states that Fuzhou No.1 Refinery is allowed to carry on production under the existing pesticide production permit certificates until the receipt of the renewed pesticide production permit certificates. The PRC legal advisers to the Company opined that it is not illegal for the Economical and Trade Commission of Fujian Provincial (福建省經濟貿易委員會) to issue the written consent. Furthermore, pursuant to the opinion given by the PRC legal advisers to the Company, the Group and Fuzhou No.1 Refinery did not contravene any PRC laws and regulations in relation to products manufactured by Fuzhou No.1 Refinery and sold by the Group during the period from the expiry date of the pesticide production permit certificates for Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨) to the respective date of issue of the renewed certificates.

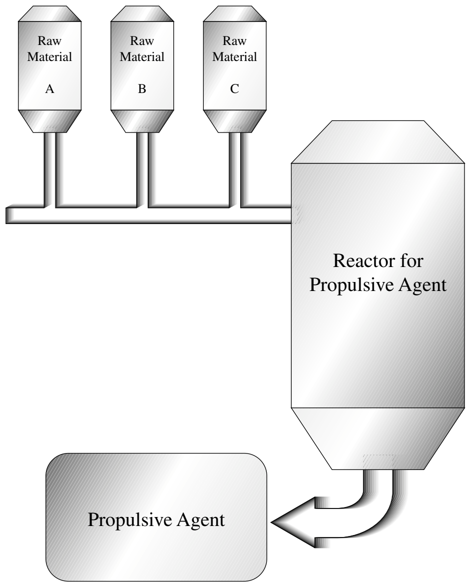
Other regulations

The Group's PRC subsidiaries are also regulated by Agriculture Law《農業法》, Management Provisions on Pesticide《農藥管理條例》, Law on Safety in Production《安全生產法》 and Law on Product Quality《產品質量法》. As at the Latest Practicable Date, according to the Directors' knowledge, the Group has not violated any of these rules and regulations.

Please refer to the paragraph headed "Regulations of the PRC pesticide industry" under the section headed "Industry overview" in this document for further details.

PRODUCTION OF THE PROPULSIVE AGENT

Production process of the Propulsive Agent



The production process for the Propulsive Agent in liquid form involves the following principal steps:

- organic solvents, chemicals of specific quantities are put in separate containers (the proportion of each of these chemicals applied forms part of the Group's confidential technical know-how);
- the chemical raw materials are mixed in a reactor, the mixture of the chemical raw materials will then be heated over 100 degrees Celsius;
- during the process of heating, the reactor will conduct high speed cutting of the chemical raw materials and add in oil;
- after two hours of heating and high speed cutting, the Propulsive Agent is produced.

The Directors consider that the chemical raw materials consumed by the Group are commonly available chemicals with ample supply in the PRC. At present, the Group purchases its materials from a chemical product supplier in the PRC. The Directors consider that the Group has a stable relationship with the supplier and no difficulty has been encountered in the sourcing of raw materials in the past. As these chemical raw materials required by the Group are not rare or difficult to source, the Directors do not anticipate any difficulty in the sourcing of raw materials for production in the foreseeable future.

The Group entered into a purchase agreement with the raw material supplier whereby the arrangements for the determination of the prices, quality and specifications of the raw materials required are stated. All raw materials are regularly inspected by the Group on delivery to ensure that they are of the required standard and quality. The Group usually pays for most of its purchases within 3 months after delivery. Since the volume of the Propulsive Agent required for the production of the pesticide is relatively low (constituting less than 3% of a tonne of the pesticide produced) and the Directors consider that the raw materials required are generally available in the market, the Group usually keeps a low level of inventory and purchases will only be made when the existing inventory is almost used up.

In each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003, the two suppliers of the Group, together accounted for approximately 100%, 100%, 100% and 100%, respectively, and the largest supplier accounted for approximately 89.9%, 92.0%, 94.4% and 94.7% respectively, of the Group's total purchases. The Group has over three years of relationship with its largest supplier. None of the Directors, their respective associates and Shareholders who own more than 5% of the issued share capital of the Company has any interest in any of the two suppliers of the Group.

In August 2000, the Group entered into an agreement with its largest supplier, Fuzhou No.1 Refinery whereby the Group would settle trade payables in the quarters ended March, June, September and December every year. The creditors turnover days ratio are 0.34, nil, nil and nil for the three years ended 31st December, 2002 and the six months ended 30th June, 2003, respectively. The Group settled trade payables by the years ended 31st December, 2001 and 2002 and recorded zero creditor's turnover days ratios for both years.

Pesticide manufacturing and processing

To minimise the overhead production costs and to take advantage of the well-developed production line of the existing pesticide manufacturing factories in the PRC, it is always the Group's strategy to have the production processes of the pesticides outsourced to an Independent Third Party, namely Fuzhou No. 1 Refinery. Fuzhou No. 1 Refinery was introduced to the Company by referral from connections of the Directors. After Sha Shi Ba (殺虱霸) was developed in 1998, the Directors planned for its commercial production by appointing a processing agent for the production process of the pesticide to a pesticide manufacturer in Fuzhou due to the close proximity to the Group's principal place of business. Fuzhou No.1 Refinery was chosen due to its flexibility in producing pesticides. Pursuant to the processing agreement entered into between the Group and Fuzhou No. 1 Refinery on 1st August, 2000, the Group is required to provide the Propulsive Agent and the formulation of the pesticides to Fuzhou No. 1 Refinery and Fuzhou No. 1 Refinery is required to acquire the raw materials of the pesticides and undertake the manufacturing processes in accordance with the order and the formulation of the Group. Fuzhou No. 1 Refinery in return is entitled to receive a processing fee payable by the Group. Pursuant to the processing agreement, the Group together with Fuzhou No. 1 Refinery will also determine the price of producing each bottle of the pesticides. The basis of the price was based on raw material costs, packaging cost and processing fee, all of which were determined with reference to market price and is negotiated each year. For the three years ended 31st December, 2002 and the six months ended 30th June, 2003, the processing fees paid by the Group to Fuzhou No. 1 Refinery were RMB1.4 million, RMB35.3 million, RMB27.5 million and RMB22.5 million, respectively, which represented approximately 46.6%, 91.1%, 89.5% and 98.2% of the cost of sales for the respective periods. The processing agreement is for a term of five years commencing from 1st September, 2000 and expiring on 31st August, 2005. The terms of the processing agreement (including the processing fee) are on normal commercial terms and have been arrived at arm's length negotiation, in which the Group considered the work that Fuzhou No. 1 Refinery put into the production of the pesticides and the cost of the number of workers and the man hours spent on the production of the pesticides. The Group has also compared the market price of the labour cost in the PRC in determining the processing fee.

All principal raw materials for the production of the pesticides are purchased by Fuzhou No. 1 Refinery. The Directors consider that the raw materials for producing the Group's pesticides are commonly available chemicals with ample supply in the PRC. As the raw materials required are not rare or difficult to source, the Directors do not anticipate any significant difficulty in the sourcing of raw materials for the production of pesticides by Fuzhou No. 1 Refinery. The entire production process of the pesticides by Fuzhou No. 1 Refinery takes about 2 hours to complete and it is mostly automated and primarily involves the simple process of heating and stirring. The whole production process is closely monitored and supervised by the quality control staff of the Group to maintain the quality of the Group's products. Since the production time requires only about 2 hours and the lead time of the Group's product, which covers the period starting from the time when customer's order is received to the completion of the product and ready for delivery to the customer, is about 5 days, a low level of inventory is usually kept by the Group. As the production process of the pesticides by Fuzhou No. 1 Refinery is not complicated or require special techniques, the Directors do not anticipate significant difficulty in the sourcing of an alternative processing agent if Fuzhou No. 1 Refinery fails to satisfy its obligations under the processing agreement. As at the Latest Practicable Date, the Group has not sought any alternative processing agent to replace Fuzhou No. 1 Refinery. In the event that Fuzhou No. 1 Refinery fails to satisfy its obligations under the processing agreement, the Group can bring Fuzhou No. 1 Refinery to court and claim for damages for failing to satisfy its obligation under the processing agreement.

Fuzhou No.1 Refinery is an Independent Third Party and a state-owned enterprise which is mainly engaged in the production of pesticides in the PRC. It is a qualified pesticide manufacturer which mainly produces liquid insecticides and received a number of qualifications and awards from provincial governmental institutions in terms of product quality, working environment, safety and industry hygiene. According to the understanding of the Directors, Fujian No. 1 Refinery does not only manufacture products for the Group, it also manufactures products with its own brand and OEM for other brands as well.

Although the production process of pesticides is carried out by an external processing agent, the Directors do not believe that the products of the Group will be easily imitated since the core element, the Propulsive Agent is produced by the Group itself in the research and development centre and then deliver to the processing agent for the production of the pesticides. Therefore, the composition and formula of the Propulsive Agent is kept strictly confidential from the processing agent. The Group also maintains a stable relationship with the processing agent and no difficulty relating to the production process of the Group's pesticides has been encountered.

Inventory policy

In order to ensure an adequate supply for production, it is the general policy of the Group to maintain inventory of raw materials and other essential packaging material for the Propulsive Agent to the extent of not more than three months' average sales requirement. For the three years ended 31st December, 2002 and the six months ended 30th June, 2003, inventory of the Group amounted to HK$11,000, HK$523,000, HK$401,000 and HK$2,039,000 respectively which translated to inventory turnover ratios of 0.63, 1.72, 1.70 and 7.37 for the respective periods, while the inventory for the Propulsive Agent alone amounted to approximately HK$1,000, HK$103,000, HK$122,000 and HK$127,000 for the respective periods. The inventory for the finished goods amounted to nil, HK$402,000, HK$260,000 and HK$1,783,000 for the three years ended 31st

December, 2002 and the six months ended 30th June, 2003. The increase in inventory of approximately HK$1.6 million as at 30th June, 2003 compared with 31st December, 2002 was due to anticipated sales orders in the third quarter of 2003 which is the peak season in the crop growing patterns.

Inventory of the Group is stated at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average of cost basis. Net realisable value of inventory is based on estimated selling prices less all estimated costs to completion to be incurred in marketing, selling and distribution.

In order to minimise the occurrence of obsolete stocks, the Group has been carrying out inspection of inventories and stock taking on a regular basis to examine their conditions. The inventory records of the Group are kept up-to-date to reflect the actual movements of inventory. The Group's inventory provision policy is based on the physical state of the actual obsolete inventory identified. If the inventory is obsolete, full provision will be made on the specific item. Inventory which does not have any movements for over one year will be considered as slow moving and a general provision of 50% will be made accordingly. For the three years ended 31st December, 2002 and the six months ended 30th June, 2003, there was no provision and no write off made for inventory.

Plan of production

The Group formulates its production plan primarily based on the pests estimation of the year. According to the Directors, annual conferences are held by agricultural protection centres (植保站) at provincial, municipal and village levels in late December or early January every year predicting pests epidemics on paddy rice in different regions of the PRC. After attending such conferences, the management of the Group then formulates the production plan, estimating the volume of sales orders with the minimum and the maximum stock levels being set out. According to the past experience of the Group, the production plan of the Group is relatively consistent with the actual sales volume for the year.

PRODUCTS

The Group has obtained the requisite provisional pesticide registration certificates and marketed two products, namely, Jin Ze Ling No. 1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨). Jin Ze Ling No. 1 (金澤靈1號) is used to kill rice planthopers and Dao Ying Wen Jing (稻瘿蚊淨) is used to kill Asian rice gall midges.

Prior to July, 2002, all of the Group's products were sold under the "五谷" trademark which is owned by Fuzhou No. 1 Refinery, the processing agent. Pursuant to the licensing agreement entered into between the Group and Fuzhou No. 1 Refinery on 1st May, 1998, Fuzhou No. 1 Refinery granted a non-exclusive licence to the Group to use the "五谷" trademark and brand name in connection with the production and sale of the Group's pesticides for a period of 25 years. This licensing agreement was mutually terminated by both parties on 30th June, 2002 as the Group wanted to increase brand awareness of its products and promote its own corporate image. From July, 2002 onwards, all of the Group's products are sold under the Goldigit Chemical ("金澤精化") and Jin Ze Ling ("金澤靈") trademarks which are registered with the relevant authority in the PRC and owned by Fujian Goldigit.

The Group's products are in liquid form packaged in plastic bottles and are prescribed with standard quantities, 100ml and 200ml for Jin Ze Ling No. 1 (金澤靈1號), 120ml and 240ml for Dao Ying Wen Jing (稻瘿蚊淨).

The PRC government adopts favourable tax treatment on companies in agriculture business. Certain categories of pesticides are exempted from value-added tax and FIEs in the agriculture industry enjoy more preferential treatment under the relevant PRC laws. The Ministry of Finance (財政部) and State Tax Bureau (國家稅務總局) jointly decided to exempt certain pesticides from value-added tax and the Group's product called Dao Ying Wen Jing (稻瘿蚊淨) has been exempted while Jin Ze Ling No. 1 (金澤靈1號) was not chosen and therefore included in such exemption. Fujian Goldigit is exempted from income tax in the first two profitable years and thereafter a 50% reduction in the third to fifth years. In August 2001, the Group was granted approval by Fujian Province State Tax Bureau (福建省國家稅務局) to defer its entitlement of the preferential tax treatment rendered to FIEs in the PRC. The expiry of the profit tax holiday and the 50% relief policy will be deferred to 31st December, 2005. Fujian Goldigit is currently enjoying 50% reduction on income tax.

The Group together with other PRC institutions are currently developing two new pesticide products for the agricultural industry which utilise the Propulsive Agent technology, namely 3% fipronil (3% 氟蟲腈•展膜油劑（銳勁特）) (formerly known as 1.2% fipronil (1.2% 銳勁特•展膜油劑(象甲淨))) and target propellant new pesticide on rice borer. 3% fipronil (3% 氟蟲腈•展膜油劑（銳勁特）) (formerly known as 1.2% fipronil (1.2% 銳勁特•展膜油劑(象甲淨))) is a pesticide product to kill rice water weevils. As notified by the Ministry of Agriculture the formulation of the product was changed from 1.2% pesticide intensity to 3%. It is undergoing a 2 year 4 region trial and is expected to be launched by the end of 2004. Target propellant new pesticide on rice borer is a new pesticide product to kill rice borers. The product is undergoing the 2 year 4 region trial. It is expected to be launched by the end of 2004.

In order to minimise the Group's concentration in the paddy pesticides sector of the pesticide industry, the Group intends to diversify its product line into the insecticide sector. The Group together with other PRC institutions is currently developing a new product, mosquito terminator, which utilises the Propulsive Agent technology. The mosquito terminator is an insecticide product to kill mosquitoes in urban drains. The feasibility study for this product has been completed and further research and development works are being conducted by Harbin Institute of Technology while testing of the product is being conducted by Environmental Science Research Centre of Xiamen University. It is expected to be launched in the market in or around the third quarter of 2006.

QUALITY CONTROL

The quality control staff of the Group closely monitors the whole production process of the pesticides. They perform quality check on each processing procedure and quality control on the raw materials and the final products based on the specification set out in the quality control manual of the Group. There are 3 staff members of the Group who perform the quality control measures at the Fuzhou No. 1 Refinery. The staff perform quality control examination activities regularly.

To ensure the quality of its products, the sales and technical staff of the Group regularly visit its major customers to provide technical guidance on usage of its products and to collect customers' feedback on product quality and effectiveness. The Group will try to use these feedbacks to enhance its quality control measures.

As at the Latest Practicable Date, the Group has not had any material sales returns and has not received any material complaints from its customers. The Directors believe that the low return rate of its products is attributable to the strict quality control measures adopted by the Group.

SALES AND MARKETING

The Group has established a distribution network, comprising of agricultural resources companies (農資公司), agricultural protection centres (植保站) and individual agricultural supplies companies (個體農資公司). Agricultural protection centres (植保站) are state-owned, non-profit making entities which are set up by the local agriculture bureau (農業局) of the PRC to provide information to farmers on pests epidemics and to help farmers improve their agricultural methods. It also has an auxiliary function of selling pesticides to farmers. Agricultural resources companies (農資公司) and individual agricultural supplies companies (個體農資公司) are profit-making entities which provide pesticides, fertilizers, and different types of agricultural supplies to farmers. The Group entered into sales contracts with these customers and directly sell products to them. The customers are responsible for demonstrating and promoting the Group's products to the end users, namely the farmers. The breakdown in sales to each of the above category of customers for the year ended 31st December, 2002 is as follows:

Customers	**Sales** *(HK$ million)*	**As a % of turnover for the year ended 31st December, 2002**
Agricultural resources companies (農資公司)	20.8	24.2%
Individual agricultural supplies companies (個體農資公司)	43.1	50.2%
Agricultural protection centres (植保站)	22.0	25.6%

For each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003, the Group's sales to its five largest customers accounted for approximately 50.7%, 54.0%, 37.5% and 39.2% of its total sales, respectively and sales to its largest customer alone accounted for approximately 30.7%, 12.2%, 8.3% and 9.3% of the Group's total sales, respectively. None of the Directors, their respective associates and Shareholders who own more than 5% of the issued share capital of the Company had any interest in any of the five largest customers of the Group in each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003.

The Group's products is not subject to any legal or regulatory controls on pricing. All of the Group's sales are denominated in Renminbi. The Group did not experience any bad debt or doubtful debts in the past. Prior to February 2003, the Group carried out a cash on delivery payment term towards all its customers. From February 2003 onwards, the Group offers a 30 days credit term to customers which are regarded as creditworthy by reference to their historical trading records with the Group and quantities of purchases made. Credit terms of 30 days are approved by Directors based on creditworthiness of each particular customer. Such credit terms are reviewed by the Directors regularly. From February, 2003 to 30th June, 2003 there are no debtor balance outstanding for over 30 days.

The Directors may consider to extend the 30 days credit terms of some customers with good payment records and large quantities of purchase orders in the future. Accordingly, the Group will implement a credit control system to monitor the extension of credits to its customers. Any extension from the 30 days credit term would require to be approved by the Directors.

Aged accounts receivable will be reviewed regularly in order to identify problem accounts at an early stage. Following the identification of any doubtful debts, provisions will be made by the Group on a specific basis. The provision policy on bad and doubtful debts is as follows:

Aged debtors	**Provision for bad and doubtful debts**
Aged within 30 days-180 days	0%
Aged within 180-365 days	50%
Aged over 365 days	100%

Currently, the Group sells its products in Southern China and Central China, which include Fujian, Anhui, Jiangxi, Henan, Jiangsu, Hunan, Shandong, Guangxi, Guangdong, Hubei and Zhejiang provinces.

The Directors consider that due to the wide range of differences in climatic conditions and vegetation covers in different areas in the PRC, particular attention needs to be paid to the adoption of promotion and demonstration methods in the rural areas. Therefore, the Group has relied mainly on agricultural resources companies (農資公司) and agricultural protection centres (植保站) to market its products to farmers. Apart from the above distribution network, the Group has also established sales service centres in Anhui, Jiangsu, Hunan and Jiangxi provinces in the PRC, which are jointly operated with individual agricultural supplies companies (個體農資公司) to enhance the sales distribution of the Group, so as to further increase the penetration of the Group's products in the PRC pesticide market. Such sales service centres are mainly responsible for the provision of after-sales services and marketing activities. The Group spent HK$9,000, HK$2,550,000, HK$4,512,000 and HK$5,687,000 respectively on selling expenses for the three years ended 31st December, 2002 and the six months ended 30th June, 2003, which represented 0.3%, 7.0%, 15.6% and 26.4% of the costs of goods sold for the respective periods.

According to the market experience in the past and taking into consideration of the characteristics of the pesticide market and the special features of the Group's products, the Group has adopted the following sales and marketing strategies:

- *Demonstration and service strategy.* Taking into consideration of the characteristic of the low education standard of farmers in rural areas, the Group intends to offer onsite demonstration and promotion to enhance farmers' understanding of the pesticides of the Group.

- *Internet strategy.* Since the target market is rather diverse, the sales team and the cooperative partners are widely spread in different areas in the PRC and as market information of product sales is of utmost importance, the Group has therefore built up its websites (http://www.goldigit.com, www.goldigit.com.cn and www.goldigit-hi-tech.com) to support market distribution.

- *Sales channel promotion strategy.* Due to historical reasons, sales channels such as agricultural resource companies (農資公司) and agricultural protection centres (植保站) can influence the sales of pesticides. Hence, the Group has paid particular emphasis in maintaining relationship with these sales channels.

- *New brand name advertisement strategy.* Compared with those pesticide providers which do not pay much emphasis on advertisement, the Group aims at gaining a competitive advantage over them by implementing the "new brand name" strategy and strengthening its efforts to build up its corporate image and products promotion. Between August and November 2001, the Group placed television advertisements in various provinces for the launch of Dao Ying Wen Jing (稻癭蚊淨). In addition, to complement the marketing effort of sales channel in various areas, the Group also invested and produced large number of advertisement promotion tools, such as posters, product promotional pamphlets and VCD in order to build up the brand name of the Group in rural areas.

The Group's sales and marketing team currently consists of 16 persons, who are mainly responsible for promoting the Group's products and providing support services to customers. The sales personnel have regular meetings with officers of agricultural protection centres (植保站) and agricultural resources companies (農資公司) to discuss about the feedbacks from farmers on the products of the Group.

The Directors consider that it is important for customers and end-users to be provided with sufficient advice and assistance to enable them to use the Group's products effectively. Hence, the Group aims to provide adequate after-sales services. One staff member has been specifically assigned to provide customer enquiry services and assistance as to how to properly use the Group's products. No revenue was generated by the Group on performing such after-sales services.

COMPETITION

The Directors believe that there are over 100 brands of pesticides available in the PRC market serving similar functions as those of the Group's products. In the Directors' view, the Group is able to provide competitive advantages in the areas of labour productivity and environmental protection.

The Directors believe that there is, at present, a limited amount of chemical pesticides for paddy rice imported into the PRC each year. After PRC's accession to WTO in 2001, the Directors expect more foreign-made chemical pesticides may be imported into the PRC. The Directors believe that the Group will be less affected as compared with other pesticides manufacturers in the PRC, as a result of possible increase in imported pesticides after China's accession to WTO, as the application technology of the foreign-made chemical pesticides, which mostly apply sprayer nozzles, are considered by the Directors being generally less competitive than that of the Group. In addition, any imported product would first have to comply with the PRC government's product registration and test requirements which may take at least two years before such product can be sold in the PRC. The Directors believe that this would incur significant costs and time for imported pesticides to be sold in the PRC. However, with the increase in the imported pesticides, it may increase pressure on the pricing on the Group's products.

The special feature of the Group's products is that it reduces application costs for users. The Directors consider that the cost of deploying pesticide has accounted for a significant part of the composite cost of the purchasing and deploying of pesticides. Hence, the requirements of a new product developed by pesticide providers in the future will not be only on the competitiveness of price of the product but also on the continuing reduction of the deployment cost of the product which in turn will provide farmers with a high quality product at a low combined cost. In respect of the products of the Group, the Directors consider that they have lower combined costs, therefore in its marketing process, the Group will emphasis on the concept of "lower combined costs" to guide the end users to the new selection standard of pesticides.

PROPERTY, PLANT AND MACHINERY

In November 2001, the Group purchased a piece of land located at No. 37 Jintang Road, Jinshan Industrial Zone, Cangshan District, Fuzhou, Fujian province, the PRC with an area of approximately 9,953 sq.m. for a consideration of approximately HK$10.4 million with an intention to establish its research and development centre and production facility for the production of the Propulsive Agent and the Group had fully settled the consideration in June, 2002. The land use right certificate of the land has been issued to the Group on 8th March, 2002 for industrial use and it is valid for 1 year from 8th March, 2002 to 7th March, 2003. The Group is required to apply to the relevant land registration authority for an extension annually to prevent the Group from mortgaging or selling the land before the construction is completed. On 22nd April, 2003, the land registration authority agreed in writing that the certificate is valid until construction works on the site has been completed. The Directors expect the construction to be completed by the second half of 2004. Upon completion of the construction, the relevant land authority would issue a new land use right certificate without the annual renewal condition. The PRC legal advisers of the Company confirm that there is no defect in the title of this land. The first phase of construction of the research and development centre commenced in April 2002 and was completed in December 2002. The first phase of the research and development centre comprises two main buildings with a total construction floor area of approximately 7,699 sq.m. The research and development centre is occupied and used by the Group as its headquarters in the PRC, the research and development centre, and a whole floor of the centre is equipped with a reactor for the production of the Propulsive Agent. The second phase of the research and development centre is expected to have an area of approximately 7,969 sq.m. and it is intended to be used for research and development, and testing of products. The construction of the second phase of the research and development centre is expected to commence in the first quarter of 2004 and complete in the second half of 2004.

The reactor which is used for the production of the Propulsive Agent, was acquired from an Independent Third Party in September 2000 at a consideration of approximately RMB3.85 million, which was fully settled. The basis of the consideration was arrived at after arm's length negotiation. The reactor is located at the Group's research and development centre. As the Group's production involves special technical know-how, the machinery is specially designed by the research technicians of Harbin Institute of Technology and the whole manufacturing process is monitored by the Group. To the Directors' best estimation, the production capacity of Propulsive Agent of the Group is approximately 87.6 million ml per year. The actual production of Propulsive Agent for the year ended 31st December, 2002 was approximately 53.7 million, which translates to approximately 61.3% utilisation.

In order to increase the productivity of the Group and sustain the Group's future development, in April 2002, the Group entered into an agreement for acquisition of a new reactor from an Independent Third Party at a consideration of approximately RMB15.5 million which will be temporary located at the Group's research and development centre. The consideration was determined on an arm's length basis between the vendor, an Independent Third Party, and the Group based on the Directors' knowledge and past experiences in the industry and the production capacity and specifications of the new reactor which is tailor-made for the Group. The purchase was financed by the listing proceeds from the placing of Shares on GEM of the Stock Exchange in July 2001. The new reactor is currently under the installation stage and test running is expected to commence in or around October 2003 and trial production is expected to commence in the first quarter of 2004. The new reactor was intended to be used for the launching of new products and because of the re-scheduling of the launch of new products, the new reactor is expected to commence commercial production by the end of 2004. To the Directors' best estimation, the production capacity of Propulsive Agent for the new reactor is approximately 125 million ml per year. It is the strategy of the Group to have sufficient capacity to meet with future products development and possible demand.

The Directors intends to relocate both reactors from the research and development centre to the newly acquired production facility in Ma Wei District, Fuzhou, Fujian province, the PRC when the production facility is ready, which is expected to be in 2004. The production facility will become the principal production facility of the Group while the research and development operation will remain in the Group's research and development centre.

Before moving to its current production facility in December, 2002, the Group leased two properties in Fuzhou, the PRC from Fujian Province Guang Yuan United Development Co., Ltd. (福建省廣源聯合發展有限公司) ("Guang Yuan") and Shanghai Volkswagen Fuzhou Service Station (上海大眾汽車福州特約維修站) ("Volkswagen"). The property leased from Guang Yuan was at an annual rental of RMB105,600 for 10 years and it was used as the administration office of the Group, the production facility of the Propulsive Agent and product development centre. The property leased from Volkswagen was at an annual rental of RMB19,200 and was used as a warehouse. The terms of the leases were negotiated on an arm's length basis with reference to market price of the rental. Guang Yuan and Volkswagen are Independent Third Parties.

The Group reallocated its administrative office, the production facility of the Propulsive Agent and product development centre from the property leased from Guang Yuan to its research and development centre at No. 37 Jintang Road, Jinshan Industrial Zone, Fuzhou, Fujian province, the PRC shortly after completion of the first phase of the construction of the research and development centre.

The lease with Guang Yuan was terminated on 31st December, 2002. The lease agreement with Volkwagen was terminated when it expired on 31st December, 2001. The Group subsequently moved its warehouse to the new warehouse of Fuzhou No.1 Refinery.

In November, 2001, the Group acquired the land use right for a piece of land in Quanzhou, Fujian province, the PRC at a consideration of approximately RMB5.69 million with an area of approximately 25,307 sq.m. as the Group intends to establish a production facility for the production of the Propulsive Agent and other new pesticides of the Group. Subsequently on 25th March, 2003 the Group was notified by the developer that due to the modification of the town planning in the area, the developer would be required to re-purchase the land from the Group. On 4th April, 2003, the Group entered into an agreement with the developer and sold the piece of land back to the developer at a consideration of approximately RMB6.07 million. The Group recorded a gain of approximately RMB379,600 in relation to this repurchase arrangement with the developer. There was no material adverse effect on the financial position of the Company.

As a replacement to the property in Quanzhou, an alternative site was sought. During an auction held by Fujian Oriental Action Auctioneer (福建東方拍賣行) on 18th December, 2002, the Group bid for a piece of land and buildings situated at Ma Wei District, Fuzhou, Fujian province, the PRC with a site area of 21,313.4 sq.m. at the bidding price of RMB27.5 million. The property, formerly known as the land, factory buildings and ancillary buildings of the first phase of Fuzhou Development Zone Ao Li Wei Electronic Technology Development Co., Ltd., was formerly held by Ao Li Wei which is an Independent Third Party. Ao Li Wei was engaged and lost in a lawsuit with the Contractor and Ao Li Wei subsequently failed to fulfill its obligation of paying the Contractor. The Fuzhou Municipal Intermediate People's Court (福州市中級人民法院) ordered to close the property and authorised Fujian Oriental Action Auctioneer (福建東方拍賣行) to sell the property by auction. Pursuant to a civil adjudgement dated 12th March, 2003, Fuzhou Municipal Intermediate People's Court (福州市中級人民法院) adjudged that the ownership of the property would be transferred to Master Tailor, effective from 24th March, 2003. Transfer of ownership over the property from the former owner to Master Tailor was made on 14th March, 2003. On 15th March, 2003, Master Tailor authorised Fuzhou Goldigit to use the property. The total consideration for the acquisition is approximately RMB35.4 million, which comprised of the bidding price and auctioneer's handling charges of RMB27.5 million and approximately RMB1.4 million respectively and the amounts of RMB27.5 million and approximately RMB1.4 million were fully paid by the Group on 17th July, 2003. The Group further paid, on 21st July, 2003, the land premium of approximately RMB5.4 million, property tax and land management fee of approximately RMB0.3 million to Fuzhou Ma Wei State-owned Land Resources Bureau (福州市馬尾區國土資源局). The remaining consideration, namely property tax of approximately RMB0.8 million, will be paid upon the issuance of the land use right certificate. The cost of the acquisition was funded by the listing proceeds raised from the Company's initial public offering of Shares by way of placing in July 2001. As stated in the Prospectus, the Group intended to use approximately HK$51.3 million from the net proceeds raised for the establishment of production base and purchase of equipment and facilities. The Group and Fuzhou Ma Wei State-owned Land Resource Bureau (福州市馬尾區國土資源局) entered into an agreement to transfer land interests of the subject property on 23rd May, 2003. The Group is in the process of applying for the land use rights certificate and expects to obtain the land use right certificate in or around October 2003. The land and buildings will be used for the establishment of a production facility for the production of the Propulsive Agent and new pesticides in the future. The Group expects that the production facility will commence trial production in 2004. Please refer to the paragraph headed "Summary of valuation" in Appendix II to this document for further details of this piece of land. The land and buildings situated at Ma Wei District are considered not crucial to the activities of the Group as, currently there is no production carried out in the property and the Directors expect that the land and buildings situated at Ma Wei District will not be ready for operation until the fourth quarter of 2004.

The Group has leased an office located at unit 908, 9th Floor, K. Wah Centre, No.191 Java Road, North Point, Hong Kong with an area of 135.73 square metres for a monthly rent of HK$13,149 from an Independent Third Party. The Group signed a tenancy agreement for a term of 2 years commencing from 1st April, 2003 and expiring on 31st March, 2005. The monthly rent was determined after arm's length negotiation with the landlord with reference to the then open market price in Hong Kong. The office is used by the Group as its principal place of business in Hong Kong and for the promotion of investors' relations.

SAFETY MATTERS

All of the Group's products are made up of chemicals. The Group has not experienced any accidents regarding handling of chemicals or pesticides in relation to its production and products. To ensure the safety of the employees, the Group places significant emphasis on safety and continually monitors any possible danger that may occur during the process of production or handling of chemicals. The Group's PRC subsidiaries are regulated by Agriculture Law《農業法》, Management Provisions on Pesticide《農藥管理條例》, Law on Safety in Production《安全生產法》 and Law on Product Quality《產品質量法》. As at the Latest Practicable Date, according to the Directors's knowledge, the Group has not violated any of the rules and regulations mentioned above.

ENVIRONMENTAL MATTERS

The Group does not discharge any waste water or solid waste nor does it cause any pollution during its production of the Propulsive Agent. The Group's production process of the Propulsive Agent does, however, cause a certain level of noise which the Group has ensured to keep it within the permitted range prescribed by the PRC environmental authorities. The manufacturing processes of the pesticides by Fuzhou No. 1 Refinery produce polluted water. Since Fuzhou No. 1 Refinery is a manufacturer of pesticides, it is required to comply with regulations specified by the national and local Environmental Protection Bureau (環保局) to treat the polluted water before discharging. If it fails to comply with the relevant regulations, it will be fined. Up to the Latest Practicable Date, according to the Directors's knowledge, Fuzhou No. 1 Refinery has complied with the relevant regulations and has not been fined for any material violation of national or local environmental regulations.

In addition, the Directors consider that the Group's products are environmentally safe which reduce any unnecessary contamination of the paddy rice. As the application involves only small droplets, the Directors consider that the application volume is lower than other pesticides, hence, application of the Group's products could contribute to reducing environmental pollution and application cost.

INTELLECTUAL PROPERTY RIGHTS

Patent

The Propulsive Agent was originated from the pesticide, Sha Shi Ba (殺虱霸) developed by Prof. Cai and the research team of Harbin Institute of Technology. In January 1998, the Group purchased the exclusive manufacturing and distribution rights of the pesticide at a consideration of RMB2 million. After two years of successful operation, in June 2000 the Group purchased all the technologies related to Sha Shi Ba (殺虱霸) from Harbin Institute of Technology at a consideration of RMB8 million which was in addition to the RMB2 million consideration paid for the exclusive manufacturing and distribution rights. The quantity required of the materials, the duration of which and the temperature at which the materials are to be processed all form part of the confidential technical know-how that is the key to the Group's production process and is known to Prof. Cai, Mr. Lao, and the Senior Managers. Prof. Cai and such other personnel of the Group are bound by their service contracts to maintain strict confidence in respect of the Group's production know-how.

Since the key part of the Group's production technology relates to the production of the Propulsive Agent, its production process remains as confidential information. In October 2000 and January 2001 respectively, the Group applied to SIPO for patent registrations in respect of the technical know-how relating to the Propulsive Agent production. According to the Directors' understanding, the processing of the Group's patent applications will involve public notification (including the formula of the Propulsive Agent technology) of the application by SIPO. After such notification, SIPO will review such application which involves conducting searches, both in the PRC and internationally, to ascertain whether there is any existing patent registration in respect of identical or substantially similar production know-how. If SIPO is satisfied with such review, it will approve the patent application and register the patent. Once approved (and unless successfully challenged), the patent registration will be valid for a term of 20 years for new invention from the date of application. Upon obtaining patent registration, the patent applicant (who is then the patent holder) is entitled to prohibit any use of the patented technology without his/her permission. The patent holder can apply to the People's Court (人民法院) to stop infringer's act and procure compensation for any loss caused.

As advised by the Group's PRC legal advisers, a patent applicant is not entitled, subsequent to the public notification, to prohibit utilisation of the same technology as that under the patent application by a person who invents it by himself. The patent applicant is, however, entitled to require the relevant person who utilises the invention ("third party") to pay an appropriate fee. The patent applicant may, in default of payment of the fee by the third party, request the relevant authority to order the third party to pay the appropriate fee to the patent applicant within a prescribed time period. If the parties involved do not agree with the decision of the patent authority, he/she may appeal to the People's Court (人民法院) in the PRC.

Whilst the patent applicant is not entitled to prohibit utilisation of other independent inventions which uses the same technology as that under the patent application during the period from the public notification up to the grant of the patent, the utilisation may, nevertheless, constitute an infringement if the utilised technology is not independently developed but plagiarises or pirates the technology announced by the patent applicant. The invention applicant may file a claim to the People's Court (人民法院) and seek an order to prohibit utilisation of that technology and claim for payment of an appropriate fee and compensation for any loss caused to the patent applicant.

The entire application process could take up to three years to complete and hence, the Group does not expect the registration of its patent under application to be completed until late 2003. Subsequent to the grant of the patent, the Group is entitled to prohibit all uses of its patented technology without its permission or it can request any entities or persons applying its technology to pay appropriate fees. As at the Latest Practicable Date, the Group has applied for the registration of two patents, details of which are set out in the sub-paragraph headed "Patents" under the paragraph headed "Further information about the business of the Company" in Appendix IV to this document.

Trademarks

Prior to July 2002, the Group's products were sold under the "五谷" trademark which is owned by Fuzhou No. 1 Refinery. Pursuant to the trade mark licensing agreement dated 1st May, 1998 entered into between the Group and Fuzhou No. 1 Refinery, the Group was granted a non-exclusive licence to use the "五谷" trademark and brand name in connection with the production and sale of the Group's pesticides in the PRC and Hong Kong for a fixed term of 25 years commencing from 1st May, 1998 and expiring on 30th April, 2023. The license fee payable by the Group was assessed on an annual basis at a sum equivalent to 0.1% of its total turnover per year, which would be settled every three years. For the years 2000, 2001 and 2002, the total license fees paid to the processing agent were approximately HK$6,000, HK$111,000 and HK$64,000, respectively.

The Group terminated the licensing agreement with Fuzhou No. 1 Refinery on 30th June, 2002 and since July 2002, the Group has ceased to use the "五谷" trademark on all the products of the Group and replaced it with the Group's own trademarks. The Group has registered in the PRC the "金澤精化" trademark (including the three elements of the Group i.e. "corporate logo ", "金澤精化" and "Goldigit Chemical") under category 35 (business promotion), category 5 (pesticide product) and category 42 (plant protection), for its products. The Group has also registered in the PRC, the trademark "金澤靈" (including the three elements of the Group, i.e. "corporate logo ", "金澤靈" and "Jin Ze Ling") under category 5 (pesticide products).

According to the Directors, Fuzhou No.1 Refinery is still using the "五谷" trade mark for its own products. The Directors believe that there is no passing off of the trademark from the Group to Fuzhou No. 1 Refinery since the trademark is owned by Fuzhou No.1 Refinery. Even after the Group ceased to use the trademark in July 2002, Fuzhou No. 1 Refinery has the right to use the trademark for its own products. The Group's intention of utilising the trademark licensed to it by Fuzhou No. 1 Refinery was to use a pesticide manufacturer's trademark to open up the market for its products during the time when the Group's products were initially launched to the market. After over two years of development and expansion, the Group has successfully established its position in the pesticides market and accordingly intends to use its own trademark to promote the Group's own corporate image and products.

The Group has also applied for and was granted in Hong Kong the registration of the Group's corporate logo and trademarks. Please refer to sub-paragraph headed "Trademarks" under the paragraph headed "Further information about the business of the Company" in Appendix IV to this document for further details.

Internet domain names

The Group is the registered owner of the internet domain names of "goldigit.cn", "goldigit.com.cn", "goldigit.net.cn", "goldigit.com", "goldigit-online.com", "goldigit-chemical.com", "goldigit-hi-tech.com", "goldigit-agriculture.com" and "goldigit.com.hk".

Please refer to the sub-paragraph headed "Internet domain names" under the paragraph headed "Further information about the business of the Company" in Appendix IV to this document for further details.

RESEARCH AND DEVELOPMENT

The Group has a research and development team of 7 staff of whom 3 have doctorate degrees. Prof. Cai is the head of the research and development team of the Group and he is also the Dean of the Environmental Protection Engineering Department of Harbin Institute of Technology and the Environmental Protection Engineering School of Shanghai Jiao Tong University, respectively. The research and development team is mainly responsible for the research and development of Propulsive Agent, preparation of the Propulsive Agent required for the production of pesticides and the final testing and adjustments of products for commercial production. The Group has been working in conjunction with other PRC institutions in the research and development of products. The collaboration institutions mainly focus in the research and development works and testing of products.

The Group has a close co-operation arrangement with Harbin Institute of Technology. Since Prof. Cai, the head of the research and development team of the Group, is also the Dean of the Environmental Protection Engineering Department of Harbin Institute of Technology, the research work carried out by Harbin Institute of Technology can be closely monitored. Pursuant to the memorandum dated 15th January, 2001 entered into between Fujian Goldigit and Harbin Institute of Technology, the Group has agreed to pay research and development fees and Harbin Institute of Technology has agreed to provide the research results, the patent rights and technology rights of the products developed by it. In addition, separate agreements were entered into between the two parties, stating the research and development fees would be payable by Fujian Goldigit for the transfer of the results and information of each particular product to Fujian Goldigit and no other consideration will be paid for the transfer relating thereto. The separate agreements also stated the completion date of the research and development work on the particular product performed by

Harbin Institute of Technology. The Group has engaged Harbin Institute of Technology on four new products of the Group being 3% fipronil (3% 氟蟲腈•展膜油劑（銳勁特）) , target propellant new pesticide on rice borer, new weedicide for paddy and mosquito terminator for urban drains. The Group paid in aggregate RMB7 million for the works performed by Harbin Institute of Technology and no further payments were required. The Directors are of the view that such co-operation arrangements enable the Group to undertake the development of new products in a cost efficient manner.

Apart from Harbin Institute of Technology, the Group also has co-operation arrangements with other science and academic institutions in the PRC. The Group has engaged the Environmental Science Research Centre of Xiamen University for the feasibility study and research and development of nanotechnology on chemical pesticides and testing of mosquito terminator for urban drains. Pursuant to the agreement dated 21st February, 2001 entered into between the Group and Environmental Science Research Centre of Xiamen University, the Group has agreed to pay Xiamen University approximately RMB2 million for research and development and testing on the Group's products and Xiamen University has agreed to provide the research and testing results of the products to the Group at no other consideration. The consideration of approximately RMB2 million was arrived at after arms' length negotiation with Xiamen University. The Group also considered the number of technical persons and man hours that would be involved.

The Group has also entered into agreements with Shanghai Jiao Tong University whereby the university agreed to perform feasibility study on target propellant new fertilizer for paddy and feasibility study of Jin Ze Ling No. 1 (金澤靈1號) in Thailand.

The Group acquired a piece of land with a site area of approximately 9,953 sq.m. in Fuzhou, the PRC, in November 2001 to establish its owned research and development centre. The first phase of the construction works of the research and development centre was completed at the end of 2002, and they are currently occupied by the Group as the administrative office, production facility for the Propulsive Agent and research and development centre. The second phase of the research and development centre is expected to have an area of approximately 8,118 sq.m. and intended to be used for research and development, and testing of products purposes. The construction of the second phase of the research and development centre is expected to commence in the first quarter of 2004 and complete in the second half of 2004.

During the Track Record Period, the Group had undertaken research and development on six products, namely 3% fipronil (3% 氟蟲腈•展膜油劑（銳勁特）) , target propellant new pesticide on rice borer, target propellant new weedicide for paddy, target propellant new fertilizer for paddy, mosquito terminator for urban drains and nanotechnology on chemical pesticides. The following sets out the information regarding research and development projects of the Group as at Latest Practicable Date:

Product	Project name	Collaboration institution	Commencement date	Progress
1	3% fipronil (3% 氟蟲腈•展膜油劑（銳勁特）)	Harbin Institute of Technology	10th July, 2001	Field trial was extended for a further 2 years period from July 2002 and as notified by the Ministry of Agriculture, the formulation of the product was changed from 1.2% pesticide intensity to 3%

Product	Project name	Collaboration institution	Commencement date	Progress
2	Target propellant new pesticide on rice borer	Harbin Institute of Technology	15th September, 2001	Feasibility study was completed in June, 2002. The product is currently under the 2 year 4 region field trail
3	Target propellant new weedicide for paddy	Harbin Institute of Technology	10th July, 2001	Feasibility study was completed in December, 2001. The development of the product was suspended
4	Target propellant new fertilizer for paddy	Shanghai Jiao Tong University	30th July, 2001	Feasibility was completed in December, 2001. The development of the product was suspended as it was not commercially viable under the then current state of the fertilizer market in the PRC
5	Mosquito terminator for urban drains *(Note)*	Harbin Institute of Technology	10th July, 2001	Research and development of the product is being conducted
		Environmental Science Research Centre of Xiamen University	3rd August, 2001	Feasibility study was completed in December, 2001. Tests on the product are currently being conducted
6	Development and application of nanotechnology on chemical pesticide	Environmental Science Research Centre of Xiamen University	3rd August, 2001	Feasibility study was completed in June, 2002. The development of the product was suspended due to its limited application in chemical pesticides

Note:

The Directors are of the view that one of the strengths of Harbin Institute of Technology is the development of the application of the Propulsive Agent technology while Environmental Science Research Centre of Xiamen University is good at environmental issues and testing of products in different environments. Harbin Institute of Technology is responsible for the research and development of the pesticides while Environmental Science Research Centre of Xiamen University is responsible for the testing of the Group's products.

For further details of the research and development of the projects of the Group, please refer to the section headed "Comparison of business objectives with actual business progress" in this document.

Other than the cost spent on the new research and development centre, the Group has spent approximately HK$0.1 million, HK$4.1 million, HK$6.9 million and nil for the three years ended 31st December, 2002 and the six months ended 30th June, 2003, respectively on research and development which represented approximately 1.0%, 3.7%, 8.1% and 0% of the total turnover for the respective periods.

INSURANCE

The Directors consider that the Group has maintained adequate insurance coverage for damages to machinery by accidents or natural disasters. The Group does not maintain any third party liability insurance to cover claims in respect of personal injury or death. As the Directors consider that the business operation does not create any environmental damages, it is not necessary for the Group to maintain any insurance to cover claims in respect of environmental damages. To the best knowledge of the Directors, there is currently no suitable product liability insurance for the Group's products in the PRC, therefore, the Group does not maintain any product liability insurance. The Directors will continue to look for appropriate product liability insurance policy and intend to maintain one should they identify a favourable policy. The Group has not experienced any third party liability claims in relation to its products. Each specific pesticide applying the Propulsive Agent is subject to comprehensive research studies, testing and field experiments conducted by the Group and independent bodies. According to the toxicity trial report issued by the Pesticide Safety Check and Examination Centre of the Ministry of Chemical Industry of the PRC (化工部農葯安全評價監督檢驗中心), the toxicity level of the Group's products are low and the Directors believe that the possibility of the products causing environmental pollution and subsequent harm to third parties is remote. Accordingly, the Directors consider that it is not necessary to procure insurance to cover claims in respect of environmental damages. To control its product liability risk, the Group places a significant emphasis on quality control and continually monitors any possible harmful effect that its products may have.

PRINCIPAL STRENGTHS

The Directors believe that the Group has the following principal strengths:

- possession of the Propulsive Agent technology;
- an experienced research and development team with support from universities in the PRC;
- an effective distribution channel;
- an effective business model;
- an experienced and committed management team; and
- the ability to maintain quality of its products and offer sale support services.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Certain business objectives of the Group were stated in the Prospectus. Set out below is a comparison of the business objectives of the Group as referred to in the Prospectus for the period from 26th June, 2001 to the Latest Practicable Date and the actual business progress of the Group or, if applicable, the changes in such business objectives in the corresponding periods under review:

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
Development of new products:	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
3% fipronil (3% 氟蟲腈•展膜油劑(鋭勁特)) (formerly known as 1.2% fipronil(1.2%鋭勁特•展膜油劑(象甲淨))):	1. complete 2 year 2 region trial	The 2 year 2 region trial was completed.	1. formulate product standard	The Group was notified by the Ministry of Agriculture to change the formulation of the product from 1.2% pesticide intensity to 3%. As the result of the 2 year 2 region field trial was not in compliance with the newly adopted 2 year 4 region field trial requirement, the field trial of the product was extended for a further 2 year period after the change of the formulation. The Group expected the product to be launched by the end of 2004.	1. commence production	The product did not commence production as field trials were still in progress after the change of formulation of pesticide intensity as notified by the Ministry of Agriculture. The Group expected to launch this product by the end of 2004.	1. continue production	The product did not commence production as the field trials were still in progress after the Group was notified by the Ministry of Agriculture to change the formulation of the pesticide intensity. The Group expected to launch this product by the end of 2004.
	2. complete toxicity trial	The toxicity trial was delayed to the first quarter of 2002.						
	3. prepare pesticide registration	The preparation of pesticide registration was delayed as the Group expected to submit its application for pesticide registration to the Ministry of Agriculture after completion of the toxicity trial around early 2002.						

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
			2. obtain provisional pesticide registration	Due to the change in the formulation of the product, application for the provisional pesticide registration was postponed.				
Target propellant new pesticide on rice borer (水稻螟蟲)**:**	4. perform feasibility studies	The Group signed a contract with Harbin Institute of Technology to conduct a feasibility study on the product.	3. complete research and development work	Feasibility study on the product was completed by Harbin Institute of Technology. The Group commenced the research and development of the product and proceeded to the laboratory trial phase for the formulation of the chemical raw materials.	2. under toxicity trials	Toxicity trials did not commence as the product had just commenced the 2 year 4 region trial.	2. first year of 2 year 4 region trial	The 2 year 4 region trial of the product was still in progress.
	5. commence research and development work	Research and development of the product was delayed as Harbin Institute of Technology has not finalised the result of the feasibility study.	4. start field experiment	The Group did not start field experiment on the product as the product was still in the research and development stage.				

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	Actual business progress	Business objectives	Actual business progress	Business objectives	Actual business progress	Business objectives	Actual business progress
Target propellant new weedicide for paddy:	6. perform feasibility studies	As instructed by the Group, Harbin Institute of Technology performed and completed the feasibility study on the product in November 2001.	5. complete research and development work	The Group suspended the development of this product. There is no plan to further develop the product.	3. under toxicity trials	The Group decided not to proceed with the development of the product. There is no plan to further develop the product.	3. first year of 2 year 4 region trial	The Group decided not to proceed with the development of this product. There is no plan to further develop the product.
	7. commence research and development work	The Group was in the progress of evaluating the result of the feasibility study and did not commence the research and development works on the product.	6. field experiment	Field experiment did not commence as the Group decided not to proceed with the development of the product. There is no plan to further develop the product.				

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
Target propellant new fertilizer for paddy:	8. perform feasibility studies	As instructed by the Group, Shanghai Jiao Tong University performed the feasibility study on the application of the Propulsive Agent technology to a new fertilizer for paddy.	7. complete research and development work	Shanghai Jiao Tong University completed the feasibility study. The development of the product was suspended as the Group considered that it was not commercially viable under the then current state of the fertilizer market in the PRC. There is no plan to further develop the product.	4. under toxicity trials	The Group decided not to proceed with the development of the product, as the Group considered that it was not commercially viable under the then current state of the fertilizer market in the PRC. There is no plan to further develop the product.	4. first year of 2 year 4 region trial	The Group decided not to proceed with the development of this product. There is no plan to further develop the product.
	9. commence research and development work	The Group postponed the research and development work on the product as the feasibility study has not been completed.	8. start field experiment	Field experiment did not commence as the Group decided not to proceed with the development of the product. There is no plan to further develop the product.				

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
Mosquito terminator for urban drains:	10. perform feasibility studies	The Group signed a contract with the Environmental Science Research Centre of Xiamen University, which would conduct feasibility studies and perform testing of the product. The Environmental Science Research Centre performed and completed the feasibility studies.	9. complete research and development work	Harbin Institute of Technology continued the research and development work of the product. Testing of the product, conducted by Xiamen University, was in progress.	5. under toxicity trials	Harbin Institute of Technology continued the research and development work of the product. Testing of the product conducted by Xiamen University was in progress.	5. first year of 2 year 4 region trial	Harbin Institute of Technology continued the research and development work of the product. Testing of the product conducted by Xiamen University was in progress. The Group had postponed the commencement of the field trial to 2004.
			10. start field experiment	Field experiment did not commence as the product was still at the research and development stage.				
	11. commence research and development work	The Group signed a contract with Harbin Institute of Technology, which would be responsible for the research and development of the product. The research and development work of the product was being conducted by Harbin Institute of Technology.						

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
Development of nanotechnology on chemical pesticides:	12. perform feasibility studies	The Group signed a contract with the Environmental Science Research Centre of Xiamen University, which would perform the feasibility studies on the application of nanotechnology to chemical pesticides. It was expected that the feasibility studies would be completed by early 2002.	11. commence research and development work	The Group suspended the development of the product because of its current limited application in chemical pesticides. There is no plan to further develop the product.	6. under toxicity trials	The Group decided not to proceed with the development of the product. There is no plan to further develop the product.	6. under toxicity trials	The Group decided not to proceed with the development of this product. There is no plan to further develop the product.
			12. complete feasibility studies	The Group suspended the development of the product because of its current limited application in chemical pesticides. There is no plan to further develop the product.	7. start field experiment	The Group decided not to proceed with the development of the product. There is no plan to further develop the product.	7. start field experiment	The Group has suspended the development work of this product.

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
Investment in a research and development centre:	13. prepare and design the construction of the research and development centre	The Group signed an agreement with an Independent Third Party in relation to the acquisition of the land use rights for a piece of land in Jinshan Industrial Zone, Fuzhou, Fujian province, the PRC at a total consideration of approximately RMB11 million for the establishment of its research and development centre. The Group prepared and designed the construction of the research and development centre. Site investigation work was conducted and application to the relevant authority of the PRC was submitted.	13. completion of construction	Construction works of the research and development centre in Fuzhou, Fujian province, the PRC were in progress.	8. commence operation of the research and development centre	In December 2002, the Group completed the construction of the first phase of its research and development centre in Fuzhou, Fujian province, the PRC, and relocated its headquarters and principal place of operation to the centre.	8. continue to operate of the research and development centre	The Group continued its operation at the research and development centre which includes the production of Propulsive Agent, provision of administrative activities and research and development activities.
			14. installation of equipment	The Group could not install any equipment because the research and development centre was still under construction.	9. commence to carry out research and development work on projects (1-2 projects at one time)	The Group did not commence to carry out research and development work on projects as the Group had not identified any projects.	9. complete research work on 1 project	The Group postponed the research work to 2004 as the Group was still in the process of sourcing relevant testing equipment.
			15. confirm research and scientific projects	The Group did not confirm any research and scientific projects as the Group was concentrating its effort on establishing the research and development centre.				

For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
14. commence construction of the research and development centre	Construction of the research and development centre did not commence as the Group was still preparing for its construction.						
15. purchase equipment for the research and development centre	The Group postponed the purchase of equipment for the research and development centre as the construction had yet to commence.						
16. identify scientific research organisations to cooperate on research and development projects	The Group delayed such plan as it was concentrating its effort on establishing the research and development centre.						

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
	17. cooperate with scientific research organisations by entering into research and development project agreements	The Group delayed such plan as it was concentrating its effort on establishing the research and development centre.						
Establishment of production bases and the purchase of equipment and facilities:	18. formulate plan to build new factory in Fujian Province	The Group signed an agreement with an Independent Third Party in relation to the acquisition of the land use rights for a piece of land in Quanzhou, Fujian province, the PRC at a total consideration of approximately RMB5.69 million for the establishment of a new production facility.	16. completion of construction	The construction of the production facility was delayed as plans for the Group's production facility in Quanzhou, Fujian province, the PRC were still being prepared.	10. commence mass production	Construction plans of the Group's production facility in Quanzhou, Fujian province, the PRC were being prepared.	10. formulate plan to build a new factory in the Asian region (except the PRC)	Due to the modification of town planning in the Quanzhou area, the Group sold the land in Quanzhou back to the developer for the consideration of approximately HK$5.7 million.
			17. install and complete testing of new production equipment	The Group did not proceed to install any production equipment as the construction of the production facility was yet to commence.	11. perform feasibility studies for the construction of a new factory in the Asian region (except the PRC)	The Group did not perform the feasibility studies as the Group decided to concentrate its efforts in the PRC market.		

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
19. preparation, design and construction	Plans for the construction of the new production facility were in the process of preparation.	18. trial production	Trial production did not commence as the construction of the production facility was yet to commence.				The Group acquired a piece of land in Ma Wei District, Fujian province, the PRC for a consideration of approximately HK$33.3 million to establish an additional production facility.
20. initial payment for the purchase of new production equipment	Initial payment for the purchase of new production equipment was not made as the construction of the production facility had yet to commence.						The Group did not formulate plan to build a new factory in the Asian region (except in the PRC) as the Group decided to concentrate its efforts in the PRC market.
						11. complete the feasibility studies of the new factory in Asian region (except the PRC)	The Group did not perform the feasibility studies as the Group decided to concentrate its efforts in the PRC market.

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
Expansion of sales network:	21. site selection for sales service centres	The Group performed market surveys among individual agricultural supplies companies (個體農資公司) in various regions in the PRC. Anhui and Jiangsu provinces were initially selected as the sites for the establishment of the Group's sales services centres.	19. acquire and decorate sales service centres in Jiangsu, Anhui and Guangdong	Sales services centres were established in Anhui and Jiangsu provinces, the PRC which were jointly operated with individual agricultural supplies companies (個體農資公司).	12. commence sales service centres operation and expand sales to Jiangsu, Anhui and Guangdong	The sale service centres in Anhui and Jiangsu provinces, the PRC which were jointly operated with individual agricultural supplies companies (個體農資公司) commenced operation.	12. commence sales service centre operation and expand sales to Jiangsu, Anhui and Guangdong	The sale service centres in Anhui and Jiangsu provinces, the PRC which were jointly operated with individual agricultural supplies companies (個體農資公司) continued its operations. The Group together with individual agricultural supplies companies (個體農資公司), established sales service centres in Hunan and Jiangxi provinces in the PRC.
			20. site selection for sales service centres in Shandong and Liaoning	Site selection did not commence as the Group decided not to proceed with the site selection in Shandong and Liaoning provinces.	13. acquire and decorate sales service centres in Shandong and Liaoning	The Group decided not to proceed with the establishment of the sales service centres in Shandong and Liaoning provinces.		
					14. site selection for sales service centres in Hebei, Heilongjiang and Sichuan	The Group decided not to proceed with the establishment of the sales service centres in Hebei, Heilongjiang and Sichuan provinces.	13. commence sales service centre operation in Shandong and Liaoning	The Group decided not to proceed with the establishment of sales service centres in Shandong and Liaoning provinces.

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
							14. acquire and decorate sales service centres in Hebei, Heilongjiang and Sichuan	The Group decided not to proceed with the site selection in Hebei, Heilongjiang and Sichuan.
							15. overseas sales office and liaise with the relevant governmental departments for preliminary approval	The Group did not select any overseas sales office. The Group entered into a collaboration agreement with Shanghai Jiao Tong University to perform feasibility studies on the application of Jin Ze Ling No. 1 (金澤靈1號) in Thailand.
Enhancement of the Group's website:	22. equipment and software purchase	The Group engaged and signed a contract with a professional information technology provider to construct its websites.	21. system upgrade and improvement of the website	The Group engaged a professional information technology provider to improve its website.	15. increase the types of information services available on the website	The Group suspended the establishment of an interactive exchange platform on pests information.	16. increase the types of information services available on the website	The Group continued to update information available on the website.

	For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
	Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
			22. the establishment of an interactive exchange platform on pests information	The Group did not proceed with the establishment of an interactive exchange platform on pests information.				
Marketing and brand building:	23. formulate marketing and promotion plan of the Group's products	The Group signed an agreement with a business advertising and promotion services company regarding the advertising and promotion activities for the Group's products, including the launch of Dao Ying Wen Jing (稻瘦蚊淨) through television advertisements in various provinces in the PRC between August and November 2001.	23. promote the brand image of the Group and the products through CCTV	The Group launched advertisements on television in various provinces to promote its products in the PRC.	16. promote the brand image of the Group and the products through CCTV	The Group launched advertisements on television in various provinces to promote its products in the PRC.	17. promote the image of the Group and the products to the overseas market	The Group launched advertisements on television in various provinces to promote its products in the PRC.
			24. advertise the Group's products in journals and magazines	The Group continued to advertise its products through posters, brochures and flyers.	17. advertise the Group's products on journals and magazines	The Group continued to advertise through posters, brochures and flyers instead of journals and magazines.	18. advertise the Group's products on journals and magazines	The Group advertised through posters, brochures and flyers.
			25. organise and attend seminars relating to agricultural technology	The Group attended conferences and seminars to promote the image of the Group's products.	18. organise and attend seminars relating to agricultural technology	The Group attended conferences and seminars to promote the image of the Group's products.	19. organise and attend seminars relating to agricultural technology	The Group attended conferences and seminars to promote the image of the Group's products.

For the period from 26th June, 2001 to 31st December, 2001		For the 6 months ended 30th June, 2002		For the 6 months ended 31st December, 2002		From 1st January, 2003 up to the Latest Practicable Date	
Business objectives	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**	**Business objectives**	**Actual business progress**
24. advertise the Group's products on journals and magazines	The Group did not advertise its products in journals and magazines but instead advertised through other means such as posters, brochures and flyers.	26. continue "farmers training programmes"	The Group together with agricultural protection centres (植保站) and agricultural promotion centres (推廣站) co-operated and initiated training programs for farmers and sales agents in 5 provinces in the PRC.	19. commence "farmers training programmes"	The Group together with agricultural protection centres (植保站) and agricultural promotion centres (推廣站) co-operated and initiated training programs for farmers and sales agents in 5 provinces in the PRC.	20. commence "farmers training programmes"	The Group together with agricultural protection centres (植保站) and agricultural promotion centres (推廣站) co-operated and initiated training programs for farmers and sales agents in 5 provinces in the PRC.
25. organise and attend seminars relating to agricultural technology	The Group attended conferences and seminars to promote the Group's products.						
26. commence "farmers training programmes"	The Group prepared materials for farmers training programme and obtained feedbacks from agricultural protection centres (植保站) and agricultural promotion centres (推廣站) to revise the programme materials.						

COMPARISON OF USE OF PROCEEDS RAISED FROM THE COMPANY'S INITIAL PUBLIC OFFER WITH ACTUAL APPLICATION

The Group raised net proceeds of approximately HK$157.6 million from its initial public offer in 2001. The following table sets out the intended use of the net proceeds as stated in the Prospectus and the actual application of such net proceeds as at the Latest Practicable Date:

Intended use of net proceeds as stated in the Prospectus:	**Application of net proceeds as at the Latest Practicable Date:**
• approximately HK$29.6 million for the development of new products	• Approximately HK$10.4 million has been utilised for the development of new products
• approximately HK$15.0 million for the establishment of research and development centre	• Approximately HK$25.8 million has been utilised for the establishment of the Group's research and development centre
• approximately HK$51.3 million for the establishment of production base and purchase of equipment and facilities	• Approximately HK$44.7 million has been utilised for the establishment of production facility and purchase of equipment and facilities
• approximately HK$20.0 million for the development of sales and distribution network	• Approximately HK$1.7 million has been utilised for the development of sales and distribution network
• approximately HK$4.7 million for the enhancement of the Group's website	• Approximately HK$1.2 million has been utilised for the enhancement of the Group's website
• approximately HK$23.5 million for the continuing marketing and brand building of the Group's products	• Approximately HK$8.5 million has been utilised for marketing and brand building of the Group's products
• approximately HK$7.5 million for the operation of the "farmers' training programme"	• Approximately HK$3.2 million has been utilised for the operation of the farmers training programme
• The remaining of approximately HK$6.0 million for the working capital	• The Group has not utilised any fund raised from the proceeds from the Company's initial public offer in 2001 for working capital purpose as the Group generated sufficient working capital from the sales of its products

Development of new products

Up to the Latest Practicable Date, the actual application of the use of proceeds for the Group's development on new products was HK$10.4 million, which was approximately HK$19.2 million lower than the intended use of HK$29.6 million as stated in the Prospectus. This was attributable to the Group's decision to delay or suspend the development of the following projects:

(a) target propellant new weedicide for paddy;

(b) target propellant new fertilizer for paddy; and

(c) development of nanotechnology on chemical pesticides.

Establishment of research and development centre

Up to the Latest Practicable Date, the establishment of the research and development centre utilised approximately HK$25.8 million, as compared to the intended use of approximately HK$15.0 million as indicated in the Prospectus. The additional of approximately HK$10.8 million was attributable to the additional cost for the acquisition of land use right and construction of the research and development centre.

Establishment of production base and purchase of equipment facility

The actual application of the use of proceeds for the establishment of production base and purchase of equipment facility was approximately HK$44.7 million up to the Latest Practicable Date, which was approximately HK$6.6 million lower than the intended use of approximately HK$51.3 million as stated in the Prospectus. This was attributable to the deferral of the establishment for the Group's production facility.

Expansion of sales and distribution network

The Group has utilised approximately HK$1.7 million for the expansion of sales and distribution network, which was approximately HK$18.3 million lower than the intended use of approximately HK$20.0 million. This was attributable to the decision to delay the expansion of its sales and distribution network due to keen competition in the pesticide market in the PRC and re-scheduling of the commercial launch of its new products.

Enhancement of web-site and the establishment of interactive exchange platform

The proceeds utilised by the Group to enhance its web-site and to establish an interactive exchange platform was approximately HK$1.2 million, as compared to the intended use of approximately HK$4.7 million. The shortfall of approximately HK$3.5 million was attributable to the Group's decision to delay the establishment of an interactive exchange platform on pests information due to re-scheduling of the commercial launch of its new products.

Marketing and brand building of the Group's products

The marketing and brand building of the Group's products utilised approximately HK$8.5 million, as compared to the intended use of approximately HK$23.5 million as indicated in the Prospectus. The shortfall of approximately HK$15 million was attributable to the Group's decision to postpone the advertising and sale support exercises due to keen competition in the pesticide market in the PRC and re-scheduling of the commercial launch of its new products.

Farmers training programme

The Group has utilised approximately HK$3.2 million for the operation of farmers' training programme, which was approximately HK$4.3 million lower than the intended use of approximately HK$7.5 million.

Working capital

The Group did not utilised any fund raised from proceeds from its initial public offer in 2001 as the Group has sufficient working capital generated from internal financial resources.

The Company has no present intention to change its plan on the use of proceeds from its initial public offer in 2001. It is the present intention of the Directors to continue to apply the net proceeds of approximately HK$62.1 million which is not yet utilised in accordance with the intended use of net proceeds as specified in the Prospectus. The un-utilised funds have been placed in short-term demand deposits and/or money-market instruments.

DIRECTORS AND MANAGEMENT

The Board consists of 7 Directors (4 executive Directors and 3 independent non-executive Directors) and is accountable to the Shareholders. Brief details concerning each of the Directors are set out below:

Name	Age	Position
Mr. LAO Seng Peng	40	*Chairman*
Prof. CAI Wei Min	56	*Executive Director*
Mr. YEH Tung Ming	53	*Executive Director*
Mr. WONG Kin Ping	49	*Executive Director*
Mr. SUN Juyi	51	*Independent non-executive Director*
Mr. LAM Ming Yung	39	*Independent non-executive Director*
Mr. JIANG Ming Le	30	*Independent non-executive Director*

Executive Directors

Mr. LAO Seng Peng, aged 40, was appointed as an executive Director and the chairman of the Group on 16th May, 2001. Mr. Lao graduated from Tsinghua University, the PRC with a bachelor's degree in civil structural engineering. Thereafter, he worked as an engineer for China Fujian International Economic and Technological Co-operation (中福公司) and was later transferred to its Macau office. From October 1997 to January 1999, Mr. Lao was the general manager of Fujian Storage Battery Co., Ltd. (福建蓄電池有限公司), a subsidiary of the Bank of China Group. Since Mr. Lao invested in the Group in March 1998, he has been responsible for the overall management of the Group, as well as its strategic planning and business development.

Prof. CAI Wei Min, aged 56, was appointed as an executive Director on 19th March, 2001 and is responsible for research and development of the Group. He holds a master's degree in chemical engineering from Harbin Industrial University. He is a professor and the Dean of the Environmental Protection Engineering Department of Harbin Institute of Technology and also the Dean of the Environmental Protection Engineering School of Shanghai Jiao Tong University since January 2001. He is also retained as Foreign Academician of National Science Academy of Russia. Prof. Cai is the original developer of the Propulsive Agent technology. Prof. Cai is primarily responsible for the Group's product research and development.

Mr. YEH Tung-Ming, aged 53, was appointed as an executive Director on 20th December, 2002. Mr. Yeh graduated from the University of Chinese Culture with a bachelor of arts degree. He has over 23 years of experience in the consumer electronic industry and 3 Cs (consumer, communication, and computer) products trading in Taiwan and the PRC. Prior to joining the Group, he was the general manager of Hi-Great Electronic (Shanghai) Co., Limited, a company engaged in intelligent transport system products which developed products relating to the geographical information system and global positioning system from July 2001 to November 2002. He is responsible for the corporate planning, management and the overall administration of the Group.

Mr. WONG Kin Ping, aged 49, was appointed as an executive Director on 28th May, 2003. Mr. Wong is responsible for the Group's sale expansion and business development outside the PRC market. Mr. Wong has substantial experience in the business of trading and merchandising. Prior to joining the Group, Mr. Wong was a founder of a trading company which was principally engaged in general trading business in Hong Kong.

Independent non-executive Directors

Mr. SUN Juyi, aged 51, was appointed as an independent non-executive Director on 20th April, 2001. Mr. Sun is the vice chairman and chief financial officer of Mission Hills Group. He graduated from the Finance and Economic Institute of Tianjin in the PRC in 1978 and underwent a master research study program at the Finance and Economics Institute of Tianjin in the PRC in 1987. He is a senior accountant and a registered accountant in the PRC. He had been a lecturer of the Finance and Economic Institute of Tianjin and the assistant to the head of 深圳中華會計師事務所(Shenzhen Chinese Accountants Firm). Mr. Sun has 23 years of experience in financial lecturing, accounting, auditing and corporate financial management.

Mr. LAM Ming Yung, aged 39, was appointed as an independent non-executive Director on 19th March, 2001. Mr. Lam graduated from the School of Law of East China University of Politics and Law in 1986 and was awarded the degree of bachelor of law. Mr. Lam started practising law in 1987 in Fujian Province in the PRC, and moved to Hong Kong in mid-1993. He was registered as a foreign lawyer with the Hong Kong Law Society in 1995, and is now practising as a senior legal consultant of PRC corporate securities law in the Hong Kong office of Sidley Austin Brown & Wood, an international law firm, which is the legal adviser to the Company in relation to the Introduction.

Mr. JIANG Ming Le, aged 30, was appointed as an independent non-executive Director on 31st July, 2003. Mr. Jiang graduated from the Economics Department of Jimei University (集美大學) in the PRC and is a member of the Chinese Institute of Certified Public Accountants, PRC. He currently works as a manager of Fujian Cheng Xin Associated Certified Public Accountants (福建誠信聯合會計師事務所). He has extensive experience in auditing and financial management of PRC enterprises.

Senior Management

Mr. YUEN Leong, aged 46, is the general manager of the Group. He holds a master's degree in mechanical engineering from Shanghai Jiao Tong University (上海交通大學). Prior to joining the Group, Mr. Yuen was a senior research analyst of Fujian Provincial Research and Development Center. Mr. Yuen has over 12 years of experience in corporate management and operation. Mr. Yuen joined the Group in March 1998 and is responsible for the overall management of the Group.

Mr. CHEN Li Quan, aged 60, is the vice-general manager of the Group. Mr. Chen graduated from Shanghai Medical University with a bachelor's degree in medicine and was a former research fellow of the Geographic Survey Institute under the Ministry of Chemical Industry of the PRC. Mr. Chen has over 17 years of experience in production management on medical and chemical products. Mr. Chen joined the Group in September 1997 and is primarily responsible for overseeing the production operations as well as products' quality control measures.

Mr. WU Yong Qiang, aged 46, is the vice-general manager of the Group. Prior to joining the Group, Mr. Wu was the head of the marketing department of the import and export company of China Xiamen Foreign Trade Group (廈門中貿集團進出口公司) and the general manager of Xiamen Yiren Group (廈門依人集團). Mr. Wu has over 14 years of experience in sales and marketing as well as international trade operations. Mr. Wu joined the Group in March 1998 and is responsible for the Group's sales and marketing activities.

Mr. HUANG Cai Jin, aged 31, is the chief consultant on corporate planning of the Group. He holds a doctorate degree in management science and system from Shanghai Jiaotong University (上海交通大學). Prior to joining the Group, Mr. Huang was the senior research analyst of Fujian Provincial Strategic Research and Development Center specialising in corporate development and countermeasure. Mr. Huang joined the Group in March 1998 and is responsible for the Group's strategic planning and corporate development research.

Mr. LI Da Liang, aged 39, is the sales manager of the Group. He graduated from He Nan Agricultural University (河南農業大學) with a master's degree in agricultural studies. Mr. Li has over 9 years of experience on sales of agricultural products. Mr. Li joined the Group in March 1998 and is responsible for the Group's sales and marketing activities.

Ms. GUO Xiang Mei, aged 40, is the finance manager of the Group. She is a qualified accountant in the PRC and has over 12 years of experience in finance and accounting. She was formerly a senior financial controller of Fujian Taisheng Trade Co., Ltd. (福建省泰晟貿易有限公司) before she joined the Group in August 2000.

Mr. DING Jian, aged 28, is the business development manager of the Group. He graduated from Fujian Mechanical Electronic School with a degree in mechanical science. He has over 5 years of experience on image consulting and market promotional activities. Prior to joining the Group in December 2000, he was the chief corporate identity system planner of Fujian Southeast Broadcast & TV Networks Co., Ltd. (福建東南廣播電視網絡有限公司) and the chief promoter of the Third China International Fair for Investment and Trade.

Mr. PENG Dong Yue, aged 30, is the production manager of the Group. Mr. Peng studied finance in Fuzhou Normal University in finance study. Prior to joining the Group in March 1998, Mr. Peng was a senior executive to Fujian Southeast Broadcast & TV Networks Co., Ltd. (福建東南電視廣播網絡有限公司). Mr. Peng is primarily responsible for production management of the Group.

Mr. CHEUNG Ying Kwan, aged 43 is the accountant and company secretary of the Group. He joined the Group in April 2001 and is responsible for finance and accounting of the Group. He has over 20 years of experience in accounting and financial management. Prior to joining the Group, Mr. Cheung worked with a number of listed companies in various industries. Mr. Cheung is an associate member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. He graduated with a diploma for textile studies from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic).

The Group has entered into service agreements with each of the executive Directors for a fixed term of 3 years and the Senior Managers for a fixed term of five years.

Each of the independent non-executive Directors was appointed for a period of one year commencing from their respective appointment date and, upon expiry of their appointment, their appointment will be renewed on a yearly basis unless terminated.

COMPANY SECRETARY

Mr. CHEUNG Ying Kwan, aged 43 is the accountant and company secretary of the Group. The particulars of Mr. Cheung are set out in the paragraph headed "Senior Management" in this section.

AUDIT COMMITTEE

The Group established an audit committee on 22nd June, 2001 with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Group's annual report and accounts and half-year reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

The following are the members of the Group's audit committee:

Name	Position in the Board
Mr. SUN Juyi	Independent non-executive Director
Mr. LAM Ming Yung	Independent non-executive Director
Mr. JIANG Ming Le	Independent non-executive Director

EMPLOYEES

Apart from the Directors and senior management of the Group as mentioned above, as at the Latest Practicable Date, the Group employed a total of 41 full-time employees in Hong Kong and the PRC as detailed below:

	Hong Kong	PRC	Total
Management and administration	3	5	8
Sales and marketing	–	15	15
Finance and accounting	2	2	4
Corporate planning	–	3	3
Research and development	–	6	6
Production (for Propulsive Agent)	–	5	5
Total	5	36	41

The remuneration payable to the employees includes a basic salary, allowances and discretionary bonuses (except that in the case of sales personnel, only a sales commission is paid).

During the Track Record Period, the Group did not experience any material disruption in its operations due to labour disputes. The Directors believe that the Group maintains a good relationship with its employees.

The Group is required to provide retirement benefit for its staff in the PRC and approximately RMB60,206 during the year ended 31st December, 2002 was accrued pursuant to the relevant PRC regulations on the retirement benefit scheme, namely, Provisional Regulations on Payment of Social Insurance Fee《社會保險費徵繳暫行條例》. According to the PRC legal opinion, provision of pension funds for workers and staff to local tax bureau became a mandatory obligation under the relevant regulations promulgated by the Fujian provincial government with effect from 1st January, 2001. Prior to which although there were similar regulations, no enforcement was strictly implemented. Since the Group did not pay any basic pension insurance fee (基本養老保險費) for its staff during the period from 21st March, 1998 to 31st December, 2000, Fujian Goldigit has to pay a penalty (滯納金) equivalent to 0.2% of the basic pension insurance fee payable by the Group and which is charged on a daily basis. If Fujian Goldigit is requested to pay the social insurance fee by the local tax bureau for the period from 21st March, 1998 to 31st December, 2000 and Fujian Goldigit pays in accordance with the request, according to the opinion of the PRC legal advisers of the Company, the amount of basic pension insurance fee that is payable by the Group for such period would not exceed RMB81,288.

Since 1st December, 2000, the Group's Hong Kong staff are required to join the Mandatory Provident Fund (the "MPF") managed by an independent approved MPF trustee under the requirements of the Mandatory Provident Fund Scheme Ordinance (Cap. 485, Laws of Hong Kong).

A Mandatory Provident Fund scheme (the "MPF Scheme") has been set up by the Group for this purpose and employer's contributions are made under the MPF Scheme. Contributions are made based on 5% of the employees' basic salaries with a cap of HK$1,000 per employee per month, and are charged to the income statement as they became payable in accordance with the rules of the MPF Scheme. Both the Group's and the employees' contributions are subject to a cap of HK$1,000 per month and thereafter are voluntary. The Group's employer contributions vest fully with the employees when contributed to the scheme in accordance with the rules of MPF Scheme. The statutory contributions made by the Group cannot be forfeited under this scheme.

COMPETING BUSINESS

The Directors confirm that none of the Directors nor the controlling shareholder of the Company (within the meaning of the Listing Rules) has any interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as the Directors are aware, as at the Latest Practicable Date, no person (not being a Director, chief executive of the Company nor a member of the Group) has an interest or short position in the shares, underlying shares or debentures of the Company which would be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name	Name of member of the Group	Capacity and type of interest	Number and class of securities	Approximate % of shareholding in the same class of securities
Best Today	Company	Beneficial owner *(note 2)*	1,169,479,600 Shares (L) *(note 1)*	68.80%

Notes:

1. The letter "L" denotes a long position in Shares or other securities.

2. These Shares were held by Best Today, a company incorporated in the BVI and wholly owned by Mr. Lao.

As at the date of this document, the Directors are not aware of any arrangement which may at a subsequent date result in a change in control of the Company.

SHARE CAPITAL

Authorised share capital:		*HK$*
10,000,000,000	Shares	500,000,000
Issued share capital:		
1,699,860,000	Shares in issue as at the Latest Practicable Date	84,993,000

Notes:

Assumptions

It takes no account of any Shares which may fall to be issued upon the exercise of any options which may, prior to its termination, be granted under the Share Option Scheme, or which may be granted under the Proposed Share Option Scheme, or upon the exercise of any power under the general mandates as described below.

Share option schemes

In connection with the Introduction and in order to comply with the provisions of the Listing Rules, the Group will, subject to the approval of the Shareholders, adopt the Proposed Share Option Scheme to replace the Share Option Scheme. A summary of the principal terms of the Proposed Share Option Scheme is set out under the paragraph headed "Proposed Share Option Scheme" in the section headed "Share option schemes" in Appendix IV to this document.

General mandate to allot and issue securities

The Directors have, since 29th April, 2003, been granted an unconditional general mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal amount of the share capital of the Company in issue as at 29th April, 2003 (as set out in the above table); and

(ii) the aggregate nominal amount of the share capital of the Company (if any) repurchased by the Company under the general mandate to repurchase Shares.

This mandate does not apply to the situations where the Directors allot, issue and deal with the Shares under a rights issue, scrip dividend scheme or similar arrangement, or the issue of Shares on the exercise of options granted under the Share Option Scheme.

This mandate will expire:

– at the end of the Company's next annual general meeting;

– at the end of the period within which the Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; and

– when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever is the earliest.

General mandate to repurchase Shares

The Directors have, since 29th April, 2003, been granted an unconditional general mandate to exercise all the powers of the Company to buy back Shares with a total nominal value of not more than 10% of the total nominal amount of the issued share capital of the Company as at 29th April, 2003.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules.

This mandate will expire:

– at the end of the Company's next annual general meeting;

– at the end of the period within which the Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; and

– when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever is the earliest.

Convertible securities

As at the Latest Practicable Date, the Company has not issued any securities, debentures or loan notes convertible into the Shares.

Renewal of general mandates to issue securities and repurchase shares

The Directors are of the view that the general mandates to issue securities and repurchase shares referred to above are catered for the situation that the Shares are listed on GEM. For the purpose of the Introduction, the Directors propose to seek the approvals of the members of the Company at its extraordinary general meeting to be held on 15th October, 2003 in respect of the granting to the Directors new general mandates to issue securities and repurchase Shares. The terms of the new general mandates are similar to those of the existing general mandates save that:

(i) the new general mandates are catered for the situation that the Shares are listed on GEM and the Main Board;

(ii) the maximum aggregate nominal amount of shares in the Company that may be issued and repurchased respectively under the new general mandates will be determined based on the aggregate nominal amount of Shares in issue as at the conclusion of the aforesaid extraordinary general meeting instead of the date of the last annual general meeting of the Company (i.e. 29th April, 2003); and

(iii) the new general mandates will supersede the existing general mandates.

The Directors do not have any present intention to exercise their power under the existing general mandates prior to the Introduction. Please refer to the circular of the Company dated 29th September, 2003 for details of the new general mandates.

INDEBTEDNESS

Borrowings

As at the close of business on 31st July, 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Group did not have any outstanding borrowing.

Foreign exchange risk

The Group earns revenue and incurs costs and expenses mainly in RMB. This will continue to be the case following the Introduction. After the Introduction, the Company's accounts will continue to be stated in HK dollars and the payment of dividend will continue to be in HK dollars. The Group does not presently intend to use any derivative instruments in the foreign currency market to hedge the risk against fluctuations of RMB to other foreign currencies. The Directors believe that having regard to the working capital position of the Group and the convertibility of RMB to foreign currency in respect of current account items, the Group is able to meet its foreign exchange liabilities as they become due.

At present, the Group's operation is carried out only in the PRC. All of its receipts and payments in relation to the operations are denominated in RMB. In this respect, the Directors consider there is no currency mismatch in its operational cashflows and the Group is not exposed to any foreign currency exchange risk in its operations.

Disclaimer

Apart from normal trade payables and the balance payable of approximately RMB0.8 million for the acquisition of property, the Group did not have, at the close of business on 31st July, 2003 any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there have not been any material changes in the indebtedness and contingent liability of the Group since 31st July, 2003.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

As at 31st July, 2003, the Group's total current assets were approximately HK$179.5 million, comprising inventories of approximately HK$2.2 million, trade receivables of approximately HK$6.1 million, other receivables of approximately HK$0.2 million, prepayments and deposits of approximately HK$2.2 million and cash and bank balances of approximately HK$168.8 million. As at 31st July, 2003, the Group's total current liabilities were approximately HK$12.8 million, comprising trade and other payables of approximately HK$7.2 million, accurals of approximately HK$4.9 million, and tax payables of approximately HK$0.7 million.

Financial resources

The Group financed its operations by means of equity funding and funds generated from its business operations. As at 31st July, 2003, apart from normal trade payables and land premium payable for the acquisition of property, the Group did not have any other borrowings which would require cash outflow for settlement.

The Directors intend to finance the Group's future operations and capital expenditure principally through internally generated cashflows supplemented by bank financing, whichever the Directors may consider appropriate in the circumstances.

Commitments and contingent liabilities

As at 31st July, 2003, the Group had operating lease commitments of approximately HK$0.3 million. As at the same date, the Group had contracted for approximately HK$2.4 million in capital commitment for the purchase of property, plant and equipment which has not been provided for in the consolidated financial statements. The contracted party is independent and not related to the Group. As at 31st July, 2003, the Group had no contingent liabilities.

Working capital

As at 31st July, 2003, the Group had working capital of HK$166.7 million. Taking into account of the Group's net operating cash inflows, the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

TRADING RECORD

The table below sets out a summary of the audited consolidated results of the Group for each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003. This summary is prepared on the basis set out in Section A of the accountants' report in appendix I to this document and should be read in conjunction herewith.

	Year ended 31st December,			Six months ended 30th June,
	2000	**2001**	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover *(Note 1)*				
Jin Ze Ling No. 1 (金澤靈1號)	6,422	71,392	35,437	12,873
Dao Ying Wen Jing (稻癭蚊淨)	–	39,631	50,471	37,610
Total	6,422	111,023	85,908	50,483
Cost of sales	(2,755)	(36,417)	(28,883)	(21,527)
Gross profit	3,667	74,606	57,025	28,956
Other operating income	1	2,419	2,493	1,508
Selling expenses	(69)	(2,945)	(4,967)	(5,962)
Administrative expenses	(415)	(7,116)	(8,812)	(7,015)
Research and development costs	(62)	(4,089)	(6,918)	–
Written off of intangible assets	–	–	(1,410)	–
Profit before taxation	3,122	62,875	37,411	17,487
Taxation *(Note 2)*	–	(1,021)	–	(3,058)
Profit before minority interests	3,122	61,854	37,411	14,429
Minority interests	42	–	–	–
Net profit for the year/period	3,164	61,854	37,411	14,429
Dividends	–	30,398	–	–
Earnings per Share, basic (HK cents) *(Note 3)*	0.23	4.05	2.20	0.85

Notes:

1. Turnover represents the net invoiced value of goods sold after allowances for returns and discounts and sales tax.

2. No provision for Hong Kong profits tax has been made as the Group's income neither arise in, nor is derived from, Hong Kong.

   Fujian Goldigit, the principal operating and wholly owned subsidiary of the Company, was approved by Fujian Province State Tax Bureau (福建省國家稅務局) to defer its entitlement of privileged tax policy rendered to wholly foreign-owned enterprises in the PRC. According to the approval, Fujian Goldigit was required to pay income tax at 27% based on the PRC audited profit of Fujian Goldigit for the year ended 31st December, 2000 as the two-year exemption period of Fujian Goldigit is deferred to 31st December, 2002 and the 50% relief period is deferred to 31st December, 2005.

3. The calculation of basic earnings per Share is based on the profit attributable to Shareholders for each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003 and the weighted average of 1,359,860,000 Shares, 1,525,668,219 Shares, 1,699,860,000 Shares and 1,699,860,000 Shares in issue during the Track Record Period, respectively.

During the year ended 31st December, 2000, the Group (i) maintained current account with a Shareholder, Mr. Lao, on which no interest expenses were charged. As at 31st December, 2000, the amount due to Mr. Lao was approximately HK$3,646,000; and (ii) produced the Propulsive Agent with the production facilities provided by Harbin Institute of Technology, from whom the know-how of the Group was acquired, free of charge. Had (i) the amount due to the Shareholder, Mr. Lao, been interest bearing at the prevailing best lending rates in Hong Kong for the year ended 31st December, 2000; and (ii) the production facilities been acquired by the Group on 1st July, 1998, being the date when the Group was deemed to have commenced its production, to 30th September, 2000, being the date when the Group acquired the production facilities, the Directors consider that the consolidated results of the Group after minority interests for the year ended 31st December, 2000 would have been adjusted by the following notional amounts:

	Year ended 31st December, 2000
	HK$'000
Net profit for the year as set out under audited consolidated results above	3,164
Notional adjustments:	
Interest expenses on amount due to a Shareholder	(287)
Cost of production facilities *(Note)*	(445)
	(732)
Amounts attributable to minority interests	89
Adjusted profit for the year	2,521

Note: Cost of production facilities is computed based on the assumption that the Group had acquired the production facilities in July 1998 for its own production of the Propulsive Agent and the acquisition was financed by the external borrowing funds at interest rates prevailing in the PRC for the year ended 31st December, 2000. The cost of production facilities comprised the depreciation charged on the production facilities and interest cost together with other related expenses.

OVERVIEW OF RESULTS OF OPERATIONS

Year ended 31st December, 2000

Turnover

For the year ended 31st December, 2000, the turnover of the Group amounted to approximately HK$6.4 million, and was solely contributed by the sales of Sha Shi Ba (殺虱霸). For the financial year under review, the turnover of the Group increased by 36.77 times as compared to the turnover of the Group for the previous financial year.

The increase in turnover was due to increase in sales of Sha Shi Ba (殺虱霸) which received positive feedbacks from farmers in Fujian province, the PRC. In addition, the Group expanded the sales of Sha Shi Ba (殺虱霸) to other provinces, namely Anhui, Jiangxi and Henan provinces in the PRC, which also contributed the increase in turnover of the Group for the year ended 31st December, 2000.

As the demand of Sha Shi Ba (殺虱霸) gradually increased in the year of 2000, the Group requested the sales agents to bear the delivery costs and as a result only a small sum of delivery costs was incurred in the year of 2000. There were only 5 sales agents in other provinces in the PRC while there were 68 sales agents in the Fujian province.

During the year ended 31st December, 2000, all the sales of the Group were consignment sales and the Group had established two control procedures to ensure the sales were accurate. They reviewed the monthly consignment sales report prepared by the sales agents and performed quarterly inventory count in the sales agents' locations. In addition, the Group collected the cash proceeds from the sales agents on a monthly basis. In the last month of the year, all consignment goods were returned to the Group or the sales agents settled all outstanding balances with the Group in cash before the end of the year.

Inventory of the Group was kept at a low level amounted to HK$11,000, and the inventory turnover days ratio was at a low level of 0.63. Inventory for Propulsive Agent alone amounted to approximately HK$1,000 as at 31st December, 2000. Trade and other payables of the Group amounted to HK$7,072,000 and the creditors' turnover days ratio, which trade creditors are limited to the purchase of raw materials and processing fee, was at a low level of 0.34. There was no provision for inventory and doubtful debt charged to profit and loss account for the year.

The products of the Group are sold in four provinces in the PRC. Geographical sales of the product are shown below:

Provinces	**Year ended 31st December, 2000** *HK$ million*
Fujian	5.6
Anhui	0.5
Jiangxi	0.2
Henan	0.1
	6.4

During the year 2000, the Group's products were sold only in four provinces in the PRC, namely, Fujian, Anhui, Jiangxi and Henan provinces. The sales of the Group's products mainly concentrated in Fujian province with turnover amounted to HK$5.6 million, which contributed to approximately 87.5% of the Group's total turnover. The reason was that the Group was based in Fujian province and started the sale of its product in the nearest market and then branched out to other provinces in the PRC.

Gross profit

The gross profit of the Group was solely attributed to the sales of Sha Shi Ba (殺虱霸). For the year ended 31st December, 2000, the gross profit of the Group was approximately HK$3.7 million, representing a gross profit margin of approximately 57.1%. With the increase in sales of the product during the year ended 31st December, 2000, the Group enjoyed economies of scale and generated a higher gross profit margin as compared to the previous financial year.

Administrative expenses

For the year ended 31st December, 2000, the administrative expenses of the Group amounted to approximately HK$0.4 million, representing approximately 6.5% of the Group's total turnover. The administrative expenses was not significant due to the office in Hong Kong was not in operation until April 2001 which only captured nine months of expenses for the period.

Research and development costs

The research and development costs for the year ended 31st December, 2000 amounted to approximately HK$62,000 representing a decline of approximately 85.8% as compared with the research and development costs of approximately HK$437,000 incurred in the previous financial year. It was due to the research and development work on the then products, Sha Shi Ba (殺虱霸) and Dao Ying Wen Jing (稻瘿蚊淨), of the Group was completed.

Profit attributable to Shareholders

Profit attributable to Shareholders of approximately HK$3.2 million for the year ended 31st December, 2000, representing a profit margin of approximately 49.3%. As compared to the profit attributable to Shareholders for the previous year, an increase of approximately 7.6 times was noted. Such increase was primarily due to an increase in turnover coupled with the improvement in gross profit margin.

Year ended 31st December, 2001 compared with year ended 31st December, 2000

Turnover

For the year ended 31st December, 2001, the turnover of the Group was approximately HK$111.0 million, representing an increase of approximately 16.29 times of the turnover of the Group for the year ended 31st December, 2000. The significant increase was mainly attributable to the increased sales of Sha Shi Ba (殺虱霸) and contribution from another pesticide, Dao Ying Wen Jing (稻瘿蚊淨), in the second half of 2001 in which both pesticides received positive feedbacks from farmers. The introduction of Dao Ying Wen Jing (稻瘿蚊淨) received good response in the market and its sales performance is satisfactory. Sales of Dao Ying Wen Jing (稻瘿蚊淨) was approximately HK$39.6 million and represented approximately 36% of the total sales for the year ended 31st December, 2001.

Since the Group's product received positive feedbacks from farmers, the Group changed the consignment sales policy to direct sales starting from the year 2001 and onwards. From then on, the Group was not required to review the monthly sales reports prepared by the sales agents or perform any physical count of inventory at the sales agents' locations.

Inventory of the Group was kept at a low level amounted to HK$523,000, and the inventory turnover days ratio was at a low level of 1.72. Inventory for Propulsive Agent alone amounted to approximately HK$103,000 as at 31st December, 2001. Trade and other payables of the Group amounted to HK$757,000 and the creditors' turnover days ratio, which trade creditors were limited to the purchase of raw materials and processing fee, was zero as there were no trade payables at the year end date. There was no provision for inventory and doubtful debt charged to the results for the year.

The products of the Group were sold in 9 provinces in PRC in 2001. Geographical sales of the products for the years 2001 and 2000 are shown below:

Provinces	**Year ended 31st December, 2001**	**Year ended 31st December, 2000**
	HK$ million	*HK$ million*
Fujian	31.6	5.6
Anhui	22.3	0.5
Jiangxi	13.2	0.2
Henan	11.0	0.1
Jiangsu	16.0	–
Hunan	8.1	–
Shandong	6.5	–
Guangxi	2.2	–
Guangdong	0.1	–
	111.0	6.4

During the year 2001, the sales of the Group's products in the Fujian, Anhui, Jiangxi and Henan provinces increased with the most notable increase came from Anhui province from HK$0.5 million to HK$22.3 million due to good response from the farmers in the province. In the period, the sale of the Group's products expanded into other provinces in the PRC, namely Jiangsu, Hunan, Shandong, Guangxi and Guangdong provinces. The sales of the Group's products in Fujian province amounted to HK$31.6 million, the largest sales of all provinces, which contributed to approximately 28.5% of the Group's total turnover. Most of the Group's sales in 2000 were made in Fujian province, which accounted for approximately 87.5% of the total sales whereas in 2001, sales in provinces other than Fujian province accounted for approximately 71.5% of the Group's total sales.

Gross profit

For the year ended 31st December, 2001, the gross profit of the Group was approximately HK$74.6 million, representing an increase of approximately 19.35 times of the gross profit for the year ended 31st December, 2000. The increase in the gross profit was attributable to the increase in sales of the Group's product, Sha Shi Ba (殺虱霸) and Dao Ying Wen Jing (稻瘿蚊淨) due to positive feedbacks from farmers. In addition, the gross profit percentage of the Group also increased from approximately 57.1% for the year ended 31st December, 2000 to approximately 67.2% for the year ended 31st December, 2001. The increase in gross profit margin was mainly attributable to the economies of scale that the Group continue to enjoy as a result of the increase in turnover.

Selling and administrative expenses

The administrative expenses incurred by the Group for the year ended 31st December, 2001 were approximately HK$7.1 million, representing an increase of approximately 16 times of the administrative expenses for the year ended 31st December, 2000. The sharp increase was mainly due to the upward adjustment to salaries, the number of employees increase to 45 as compared with 31 in the previous year, and the addition of the Hong Kong office in April 2001.

Advertising fee increased in 2001 as the Group deployed more resources to promote its then new product Dao Ying Wen Jin (稻瘿蚊淨) which was commercially launch in market in the 2nd half of 2001.

Other revenue and research and development costs

Other revenue in the year was approximately HK$2.4 million as compared to approximately HK$1,000 in the previous year. The increase was mainly represented the rise in interest income from fixed deposits.

The research and development costs incurred by the Group for the year ended 31st December, 2001 increased to approximately HK$4.1 million compared to approximately HK$62,000 in the year ended 31st December, 2000, such increase represents general research expenses for identifying new products, such as target propellant new pesticide on rice borer and target propellant new weedicide for paddy.

Profit attributable to Shareholders

For the year ended 31st December, 2001, the profit attributable to Shareholders was approximately HK$61.9 million, representing approximately an increase of approximately 18.5 times of the profit attributable to Shareholders for the year ended 31st December, 2000. The increase was due to the increase in turnover and the gross profit of the Group during this year. Net profit margin increased from 49.3% for the year ended 31st December, 2000, to 55.7% for the year ended 31st December, 2001, was mainly due to the economics of scale enjoyed by the Group.

Year ended 31st December, 2002 compared with year ended 31st December, 2001

Turnover

For the year ended 31st December, 2002, the turnover of the Group amounted to approximately HK$85.9 million, a 22.6% decrease from approximately HK$111.0 million for the year ended 31st December, 2001. The decrease was mainly attributable to the following reasons:

– There was a decrease in sales volume for 2002. Such decrease in turnover resulted in the decreased contribution of approximately HK$17,581,000 to the gross profit of the Group. According to the Directors, there were flooding and droughts in various parts of the PRC, which affected some of the regions where the Group conducted business. As a result, some of the paddy fields became flooded with water or too dry for farming purposes and hence, affected the need to apply the Group's products which had an adverse impact on the demand of the Group's products.

  The products of the Group are used by farmers in 10 provinces in the PRC and geographical sales of the products for the years 2001 and 2002 are shown below:

Provinces	**Year ended 31st December, 2002**	**Year ended 31st December, 2001**
	HK$ million	*HK$ million*
Fujian	21.1	31.6
Anhui	16.9	22.3
Jiangxi	11.9	13.2
Henan	7.4	11.0
Jiangsu	11.6	16.0
Hunan	5.5	8.1
Shandong	3.3	6.5
Guangxi	6.3	2.2
Guangdong	0.9	0.1
Hubei	1.0	–
	85.9	111.0

  During the year 2002, the sales of the Group's products in 7 of the 10 provinces which the Group conducted business experienced a decline. According to the Directors, it was mainly due to the adverse weather conditions such as droughts and floods in these provinces. Sales in Guangxi province recorded an increase of approximately 1.9 times to approximately HK$6.3 million as compared to the previous year which was due to the increase in sales of Dao Ying Wen Jing (稻瘿蚊淨) after receiving favourable response from farmers in the province. During the same period, the sales of the Group's products expanded to Hubei provinces and recorded approximately HK$1.0 million in turnover.

– The Group did not adjust the selling price of its pesticides to preserve its gross profit margin of approximately 66% to 67% despite keen market competition as there were a number of pesticide products sold in the market at lower prices.

In October 2002, the Group did not receive any sale orders from customers and there were no delivery of goods to customers. In order to maintain competitive with other pesticides in the market, the Group adjusted its selling price with effect from February 2003.

Inventory of the Group was kept at a low level amounted to HK$401,000, and the inventory turnover days ratio was at a low level of 1.70. Inventory for Propulsive Agent alone amounted to approximately HK$122,000 as at 31st December, 2002. Trade and other payables of the Group amounted to approximately HK$3.5 million and the creditors' turnover days ratio, which trade creditors are limited to the purchase of raw materials and processing fee, was zero as there were no trade payables at the year end date. There was no provision for inventory and doubtful debt charged to the results for the year.

Gross profit

The gross profit for the year ended 31st December, 2002 was maintained at around 66.4% as compared to the previous year. During the period, the Group did not adjust the selling price of its pesticides to preserve its gross profit margin despite keen market competition as there were a number of pesticide products sold in the market at lower prices. For the year ended 31st December, 2002, the gross profit was maintained at approximately 66.4%, which was comparable to approximately 67.2% in the previous year.

Selling and administrative expenses

Selling and administrative expenses for the year ended 31st December, 2002 increased to approximately HK13,779,000 from approximately HK$10,061,000 for the year ended 31st December, 2001. The increase of selling expenses was primarily the result of increased marketing expenses to promote the Group's brand name and corporate image. Sales and marketing activities undertaken by the Group during the period include establishing 2 sales services centres in Anhui and Jiangsu provinces in the PRC, conducting farmers training programs, and marketing campaign activities, and the Group did not engage in such sales and marketing activities before the Group received the proceeds from the listing of the Shares on GEM on 9th July, 2001. The increase in administrative expenses was largely represented by a full year operating expenses of Hong Kong office for 2002 as compared with operating expenses of HK$8,583,000 for the six months ended 31st December, 2001 and the increase in number of employees to 51 as compared with 45 in the previous year.

Trade and other payables

The increase in trade and other payables was mainly due to the accruals for research and development projects of approximately HK$2.7 million which are one time payables rather than trade payables arising from operation. In addition, there were a 3% retention fee of approximately HK$0.4 million payable to the main contractor for the construction of the research and development centre of the Group during the same period. Since these payables were mainly accruals for research and development projects, they were not trade payables arising from purchases.

Other revenue and research and development costs

Other revenue for the year of approximately HK$2.5 million represented interest income earned from fixed deposits.

Research and development costs for the year ended 31st December, 2002 increased to approximately HK$6,918,000 from approximately HK$5,499,000 (of which approximately HK$4,089,000 was expensed to profit and loss account during 2001 and approximately HK$1,410,000 was capitalised as intangible asset as at 31st December, 2001) for the year ended 31st December, 2001. Such increase of approximately HK$1.4 million was mainly the result of increase in product development activities during the year. The Group proceeded to write off approximately HK$1,410,000 of research and development costs for 3% fipronil (3% 氟蟲腈•展膜油劑(鋭勁特)) as the commercialisation of the product is delayed due to the notification from the Ministry of Agriculture in June 2002 to change its formulation of pesticide intensity from 1.2% to 3%. Field trials were extended for a further period of two years after this change in formulation.

Profit attributable to Shareholders

For the year ended 31st December, 2002, profit attributable to Shareholders amounted to approximately HK$37.4 million, representing a decrease of approximately 39.5% as compared to that of approximately HK$61.9 million for the year ended 31st December, 2001. Net profit margin was also decreased from 55.7% in the previous year to 43.5% for this year. Such decrease was due to both the decrease in sales and the increase in operating expenses of the Group during this year.

Six months ended 30th June, 2003

The Group's turnover was approximately HK$50.5 million for the six months ended 30th June, 2003, a decrease of approximately 18.3% from approximately HK$61.8 million as compared with the corresponding period in 2002. The decrease in turnover was mainly attributed to the reduced selling prices of Jin Ze Ling No.1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨) by about 29% and 20% respectively commencing February 2003 and the corresponding decrease in sales volume during the second quarter of 2003. Owing to the outbreak of Severe Acute Respiratory Syndrome ("SARS"), the Group's marketing and distribution activities in the second quarter were temporarily suspended and accordingly, the sales orders in the period decreased. As a result, some of the customers' orders were carried over to the 3rd quarter of 2003.

Cost of sales increased by approximately 8.6% from approximately HK$19.8 million for the six months ended 30th June, 2002 to approximately HK$21.5 million in the corresponding period in 2003 which was mainly due to the increase in quantity of products sold and the change in relative proportion of Jin Ze Ling No. 1 (金澤靈1號) and Dao Ying Wen Jing (稻瘿蚊淨) over the period since the unit cost of goods sold of Dao Ying Wen Jing (稻瘿蚊淨) is higher than that of Jin Ze Lin No. 1 (金澤靈1號) as the cost components of the two products are different. In addition, the increase in depreciation also increase the cost of sales since there were depreciation charges for the research and development centre, which was completed at the end of 2002, in 2003 of approximately HK$0.2 million as compared to none in the corresponding period in 2002. Accordingly, gross profit decreased by approximately HK$13.0 million or approximately 31.0% from approximately HK$41.9 million in the corresponding period in 2002 to approximately HK$29.0 million for the six months ended 30th June, 2003. Gross profit margin as a percentage of turnover decreased from approximately 67.9% in the corresponding period in 2002 to approximately 57.4% for the six months ended 30th June, 2003.

Operating expenses increased by approximately HK$5.8 million from approximately HK$7.2 million in the corresponding period in 2002 to approximately HK$13.0 million for the six months ended 30th June, 2003. The increase in operating expenses was due to the increase in selling expenses of approximately HK$4.1 million which was mainly related to the launch of the television advertising program, new sales support centres, and farmers' assistance training program. In addition, the increase in administrative expenses of approximately HK$2.7 million was mainly due to the professional fees incurred for the listing of the Shares by way of Introduction and no research and development expenses were incurred in 2003 as compared to approximately HK$1.1 million in 2002. Operating expenses as a percentage of turnover were approximately 25.7% for the six months ended 30th June, 2003 as compared to approximately 11.7% of the corresponding period in 2002.

The Group recognised PRC income tax expenses of approximately HK$3.1 million for the six months ended 30th June, 2003 compared to none in the corresponding period in 2002. Fujian Goldigit is entitled to an income tax holiday for the two years ended 31st December, 2002 and a preferential PRC income tax rate of 15% for three years commencing on 1st January, 2003 and ending on 31st December, 2005.

Ratios

Set out below is the Group's net profit margin, current ratio and creditors' turnover days for each of the three years ended 31st December, 2002 and for the six months ended 30th June, 2003:

	For the year ended 31st December,			For the six months ended 30th June,
	2000	2001	2002	2003
Net profit margin	49.3%	55.7%	43.5%	28.6%
Current ratio	0.23	42.3	34.7	15.3
Creditors' turnover days	0.34	0	0	0
Debtors' turnover days	0	0	0	0
Stock turnover days	0.63	1.72	1.70	7.37

Net profit margin

The net profit margin increased from approximately 49.3% in 2000 to approximately 55.7% in 2001 due to the overall increase in sales particularly after the commercial launch of Dao Ying Wen Jing (稻瘿蚊淨) in the second half of 2001 and the increase in the gross profit of the Group during 2001.

In 2002, the net profit margin decreased as compared with 2001 as there was a decrease in sales. The decrease in sales resulted from keen competition in the market. The Group's products experienced pressure owing to the keen competition as there were a number of pesticides products being sold in the market at lower prices. In addition, during 2002, according to the Directors some regions in the PRC in which the Group conducted its business suffered from adverse weather conditions and affected the demand for the Group's products.

The decline in net profit margin for the six months ended 30th June, 2003 as compared to that for the year ended 31st December, 2002 was mainly due to the decreased contribution from sales which was in turn related to the reduction in selling prices of the Group's products commencing from February 2003. In addition, the Group incurred professional fees for the listing of the Shares by way of Introduction. The Group also recognised PRC income tax expenses of approximately HK$3.1 million for the six months ended 30th June, 2003 as compared to nil in the corresponding period in 2002.

The total expenses of the Group increased from approximately HK$14.2 million in 2001 as compared to approximately HK$22.1 million in 2002. The increase was mainly due to the expenses of approximately HK$0.9 million in the two then new sales support centers in Anhui and Jiangsu provinces in the PRC as compared to none in 2001 and expenses on sales promotion activities of approximately HK$2.4 million for its farmers training programs in Anhui, Fujian, Guangdong, Jiangsu and Jiangxi provinces in the PRC as compared to none in 2001.

Current ratio

In 2001, the current ratio increased significantly from 2000 because of the increase in cash and bank balance mainly due to the listing of the Shares on GEM on 9th July, 2001.

In 2002, the current ratio decreased as compared with 2001 was due to the decrease in cash and bank balance and increase in other payables. The net decrease in cash and bank balance was approximately HK$1.5 million. It was mainly due to the application of the listing proceeds from the placing of Shares of approximately HK$32 million and the increase in other payables from approximately HK$0.8 million in 2001 to approximately HK$3.5 million in 2002. Other payables represented payables on research and development, and selling and marketing expenses.

In 2003, the current ratio decreased as compared with 2002 due to decrease in cash and bank balance and increase in other payables. The decrease in current assets was due to the decrease in cash of approximately HK$14.4 million and the increase in inventory of approximately HK$1.6 million was because of the anticipated orders for the third quarter of 2003. The increase in current liabilities was mainly due to the increase in other payables and accruals of approximately HK$4.3 million for acquisition of a property in Ma Wei District, Fuzhou, Fujian province, the PRC and costs of listing in relation to the listing of Shares by way of Introduction, and the increase in tax payable of approximately HK$1.6 million.

Creditors' turnover days

The Group entered into an agreement with its largest supplier, Fuzhou No.1 Refinery, in August, 2000 pursuant to which the Group would settle trade payables at the end of the months of March, June, September and December every year. The trade payables were fully settled by the years ended 31st December, 2001 and 2002 and the period ended 30th June, 2003, respectively and therefore there were zero creditor's turnover days figures for the respective years.

Stock turnover days

The figures remained in low levels at 0.63, 1.72, 1.70 and 7.37 for the three years ended 31st December, 2002 and the six months ended 30th June, 2003, respectively. The Group was able to maintain low levels of stock due to the Group's policy to keep inventory at low level. In 2003, the increase in inventory of approximately HK$1.6 million was due to anticipated increase of sales orders in the third quarter 2003 as it is the peak season of crop growing patterns.

Debtors' turnover days

Before February 2003, the Group did not have trade receivables at the respective year end dates because the products of the Group were sold on a cash on delivery basis. Commencing from February 2003, the Group granted credit terms of 30 days to some customers with the balance of trade receivables repayable by the customers by the end of June and December each year. Since the Group did not have trade receivables at the respective year and period end dates throughout the Track Record Period, therefore the ratio is not applicable.

TAXATION

No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong. Fujian Goldigit, a subsidiary of the Group established in the PRC, is subject to PRC income tax at the rate of 27%. However, it is exempted from enterprise income tax for two years starting from its first year of profitable operation followed by a 50% reduction in the next three years. The two-year tax exemption period of Fujian Goldigit expired on 31st December, 2001 and it is subject to PRC income tax at the reduced rate of 15% for the three years ending 31st December, 2004.

In August 2001, Fujian Province State Tax Bureau (福建省國家税務局) approved Fujian Goldigit to defer its entitlement of privileged tax policy rendered to wholly foreign owned enterprises in the PRC. The two-year tax exemption period of Fujian Goldigit is deferred to 31st December, 2002 and the 50% relief period will be deferred to 31st December, 2005. It was expected that the profit in the first year of the exemption period would exceed that for the year ended 31st December, 2000 as Dao Ying Wen Jing (稻癭蚊淨) was launched in 2001 and the Group would enjoy a more favourable tax holiday and concession by the deferral. The Directors believe that the deferral of enjoying the tax privilege was in the best interest of the Group as it would benefit the Group's earnings attributable to the Shareholders in the exemption period until 31st December, 2005.

In addition, the PRC value-added tax in relation the sales of the Group's product, Jin Ze Ling No. 1 (金澤靈1號), has been charged at a rate of 6% since 1st August, 2001 while Dao Ying Wen Jing (稻癭蚊淨) has been exempted from value-added tax since 1st August, 2001.

PROPERTY INTERESTS

The details of properties owned and leased by the Group are set out in appendix II to this document. Greater China Appraisal Limited, an independent property valuer, valued the property interest of the Group as at 31st July, 2003. Details of the values and the valuation certificates from Greater China Appraisal Limited are set out in appendix II to this document.

DIVIDEND POLICY

There is no assurance that dividends of similar amount or at similar rate will be made in the future and the past dividend payments referred to above should not be used as a reference or basis to determine the amount of dividend payable in the future.

Any dividends payable in the future, will be announced by the Group in April or September of each year. The declaration, payment and amount of dividends will be subject to the discretion of the Directors and, in the case of final dividends, subject to Shareholders' approval and will be dependent upon the Group's future operations and earnings, financial condition, cash requirements and availability, and other factors as may be deemed relevant at such time by the Directors.

DISTRIBUTABLE RESERVES

Under the Companies Law, share premium is distributable to Shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium, unless immediate following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

For dividend purposes, the amount which the Group's subsidiaries in the PRC can legally distribute by way of a dividend is determined by reference to the profits as reflected in their PRC statutory financial statements which are prepared in accordance with accounting principles and financial regulations applicable to enterprises with foreign investment ("PRC GAAP"). These profits differ from those that are reflected in accountants' report set out in appendix I to this document, which are prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants ("HK GAAP").

The Group's PRC subsidiaries are required to transfer an amount of not more than 10% of its profit after tax to the statutory reserve fund in accordance with the laws of the PRC on foreign enterprises, and an amount decided at the discretion of the Directors to statutory public welfare fund and development reserve in accordance with their respective articles of association before distribution of profits to its shareholders. Other than the appropriation of HK$7,321,000 to statutory reserves fund by Fujian Goldigit, there were no appropriation of reserves during the Track Record Period.

It is the Directors' current intention to distribute dividends based on the lower of the Group's profit determined under PRC GAAP and HK GAAP.

ADJUSTED NET TANGIBLE ASSETS

The following pro forma statement of adjusted net tangible assets of the Group is based on the audited consolidated net assets of the Group as at 30th June, 2003 as shown in the accountants' report set out in appendix I to this document, adjusted as described below:

	HK$'000
Audited consolidated net assets of the Group as at 30th June, 2003	243,959
Consolidated profit after taxation of the Group for the one month ended 31st July, 2003 based on its unaudited management accounts	3,700
Less: Intangible assets as at 30th June, 2003	(6,110)
Deferred tax assets as at 30th June, 2003	(206)
Adjusted net tangible assets *(Note 1)*	241,343
Adjusted net tangible asset value per Share *(Note 2)*	HK$0.142

Notes:

1. It is the Group's policy to account for its properties for production at cost. Pursuant to the revaluation of the Group's interest in properties (see appendix II to this document), revaluation surplus of approximately HK$1,351,000 arises. Such revaluation surplus has not been incorporated in the above statement. Should the revaluation surplus be incorporated in the future accounts, the annual depreciation of the Group would increase by approximately HK$75,000.

2. The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this section and on the basis of 1,699,860,000 Shares in issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options granted under the Share Option Scheme or the Proposed Share Option Scheme or upon the exercise by the Directors of the general mandates granted to them to allot and issue Shares, or repurchase Shares.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading positions or prospects of the Group since 30th June, 2003, the date to which the latest published audited consolidated financial statements of the Group were made up.

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

The Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Practice Note 19 of the Listing Rules (if the Company were listed on the Main Board as at the Latest Practicable Date).

NON-INCLUSION OF A PROFIT FORECAST FOR THE YEAR ENDING 31ST DECEMBER, 2003

A profit forecast of the Group for the year ending 31st December, 2003 has not been included in this document. The Directors consider that the inclusion of such profit forecast in this document is not appropriate mainly because a substantial portion of the Group's revenue has been, and is expected to be, derived from the sale of pesticide products in the PRC which the Directors consider to be a market of considerable competition. Furthermore, the pesticide industry, in which the Group's business is operated, is considered by the Directors to be highly competitive with domestic and overseas pesticide manufacturers and uncertain, which is subject to new products launch, pricing and margin pressure. In addition, the pesticide industry depends on the farming business which, by nature, is subject to a high degree of exposure to natural disasters and adverse weather conditions. Accordingly, the Directors consider that sales of the Group for the remaining year ending 31st December, 2003 will be significantly affected by, among other factors, prevailing market conditions of the pesticide industry and economic environment that are beyond the control of the Group, and it would not be feasible for the Group to prepare a profit forecast with a level of adequacy, reliability and certainty that is required for inclusion in this document.

Potential investors should be aware that there is no assurance that the Group will increase or maintain the level of its historical revenue or profitability and that the historical results of the Group should not be used as an indication of its future performance.

The overall business objective of the Group is to capitalise on the proprietorship and the application of the Propulsive Agent technology and become one of the leading agricultural resources providers in the PRC. In order to achieve the stated business objective, the Group plans to:

(i) increase the sales of existing products

– to capitalise on the established market share and position of the existing products of the Group, Jin Ze Ling No. 1 (金澤靈1號) and Dao Ying Wen Jing (稻癭蚊淨), the Group plans to expand the sales of these products to other provinces in the PRC;

(ii) continue to develop new products

– to capitalise on the experience in its research and development capabilities, the Group will continue to devote its efforts in the research and development to upgrade its existing products and develop new products using the Propulsive Agent to provide a total solution in dealing with major paddy pest in the PRC and overseas;

(iii) enhance and accelerate its research and development capacity

– the Group will employ advanced technology and equipment and experienced scientific research personnel in enhancing its research and development capacity;

(iv) establish new production facilities

– while enhancing the current production facility, the Group will establish a new production facility, equipped with automated production equipment, for the production of the Propulsive Agent and possibly other new pesticide products developed by the Group;

(v) enhance its sales network

– the Group will continue to expand the existing distribution network comprising of individual agricultural supplies companies (個體農資公司), agricultural protection centres (推廣站) and agricultural resources companies (農資公司) in the PRC, in order to enhance the distribution capacity of the Group and further increase the penetration of its products in the PRC pesticide market. The Group also plans to enhance its customer base and strengthen relationships with customers;

(vi) enhance the brand name and image of its products

– the Group will continue to improve its product image and brand awareness through placing advertisement, participating conferences and seminars and organising farmers training programs.

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the auditors and the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

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Deloitte Touche Tohmatsu

29th September, 2003

The Directors
Goldigit Atom-tech Holdings Limited
China Everbright Capital Limited
MasterLink Securities (Hong Kong) Corporation Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") relating to Goldigit Atom-tech Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December, 2000, 2001 and 2002 and the six months ended 30th June, 2003 (the "Relevant Period") for inclusion in the introduction document of the Company dated 29th September, 2003 (the "Introduction Document").

The Company was incorporated in the Cayman Islands on 9th February, 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law of 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group underwent a corporate reorganisation (the "Corporate Reorganisation") in preparation for the public listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are set out in appendix V to the prospectus dated 29th June, 2001 (the "Prospectus") issued by the Company, which was completed on 22nd June, 2001. Following the Corporate Reorganisation, the Company became the holding company of the Group. The shares of the Company were listed on the GEM of the Stock Exchange with effect from 9th July, 2001. The Company has proposed to withdraw its listing on the GEM of the Stock Exchange so as to arrange its shares to be listed on the Main Board of the Stock Exchange.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued and paid-up capital held by the Company		Principal activities
			Directly	Indirectly	
Goldigit Limited	British Virgin Islands 18th April, 2000	US$10,000	100%	–	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued and paid-up capital held by the Company		Principal activities
			Directly	Indirectly	
Fujian Goldigit Fine Chemical Industry Co., Ltd. ("Fujian Goldigit")	People's Republic of China ("PRC") *(Note 2)*	HK$3,000,000	–	100% *(Note 1)*	Manufacturing of Propulsive Agent *(Note 4)* and sales of pesticides
Fuzhou Development Zone Goldigit Fine Chemical Industry Co., Ltd. ("Fuzhou Goldigit")	PRC 28th January, 2003 *(Note 3)*	HK$10,000,000	–	100%	Property holding
Master Tailor Investments Limited	British Virgin Islands 2nd September, 2002	US$1	–	100%	Investment holding
Quanzhou Quangang Fine Chemical Co., Ltd.	PRC 16th November, 2001 *(Note 3)*	US$1,000,000	–	100%	Inactive
Spring New Developments Limited	British Virgin Islands 12th June, 2001	US$1	–	100%	Investment holding

Notes:

1. As part of the Group's Corporate Reorganisation, details of which are set out in the section headed "Corporate Reorganisation" in appendix V to the Prospectus, Goldigit Limited, a company which was originally 100% owned by the chairman of the Group, Mr. Lao Seng Peng acquired as to 80% interest in Fujian Goldigit from Ms. Liu Lan Hua, who, on 21st March, 1998 ("Date of Commencement of Business"), acting as custodian for Mr. Lao Seng Peng, acquired 70% interest in Fujian Goldigit from independent third parties and 10% from Mr. Chen Li Quan, a senior management of the Group. Fujian Goldigit was then accounted for as a 80% owned subsidiary of the Company as at Date of Commencement of Business. On 25th September, 2000, Goldigit Limited further acquired 20% interest in Fujian Goldigit from Mr. Chen Li Quan, which were accounted for on the basis of acquisition accounting from the date of acquisition.

2. Fujian Goldigit was formerly an enterprise established on 29th October, 1997 in the PRC with limited liability and changed its legal status to a wholly foreign-owned enterprise ("WFOE") on 18th October, 2000.

3. These subsidiaries are foreign investment enterprises established in the PRC.

4. Propulsive Agent is a chemical solvent agent produced by the Group and applied to pesticides.

We have acted as auditors of the Group for the years ended 31st December, 2001 and 2002 and the six months ended 30th June, 2003.

No audited financial statements have been prepared for Goldigit Limited for the period from 18th April, 2000, date of incorporation to 31st December, 2000 as it has not carried on any business other than the acquisition of interests in Fujian Goldigit. We have, however, reviewed all relevant transactions of Goldigit Limited since its date of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to Goldigit Limited.

The statutory financial statements of Fujian Goldigit for the period from 1st January, 2000 to 17th October, 2000, before the change of its legal status to WFOE and from 18th October, 2000, the effective date of WFOE to 31st December, 2000 were audited by Fujian Cheng Xin Associated Certified Public Accountants, registered in the PRC. The statutory financial statements of Fujian Goldigit for the two years ended 31st December, 2002 and those of Quanzhou Quangang Fine Chemical Co., Ltd. for the period from 16th November, 2001, date of incorporation, to 31st December, 2001 and for the year ended 31st December, 2002 were audited by Guangfa Certified Public Accountants Limited, registered in the PRC. These financial statements of Fujian Goldigit and Quanzhou Quangang Fine Chemical Co., Ltd. were prepared in accordance with the relevant accounting rules and financial regulations in the PRC. For the purpose of this report, we have, however, undertaken our own independent audits of the financial statements, prepared in accordance with accounting principles generally accepted in Hong Kong, of Fujian Goldigit for the year ended 31st December, 2000 in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants.

We have examined the audited financial statements or, where appropriate, management accounts of the companies comprising the Group for the Relevant Period, or since the respective dates of incorporation/establishment to 30th June, 2003, where this is a shorter period. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Society of Accountants.

The Financial Information for the Relevant Period set out in this report has been prepared from the audited financial statements or management accounts (the "Underlying Financial Statements") of the companies comprising the Group, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Introduction Document.

The Underlying Financial Statements are the responsibility of the directors of those companies who approve their issue. The directors of the Company are responsible for the contents of the Introduction Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31st December, 2000, 2001 and 2002 and 30th June, 2003 and the state of affairs of the Company as at 31st December, 2001 and 2002 and 30th June, 2003 and of the consolidated results and cash flows of the Group for the Relevant Period.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31st December,			Six months ended 30th June,
		2000	2001	2002	2003
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*2*	6,422	111,023	85,908	50,483
Cost of sales		(2,755)	(36,417)	(28,883)	(21,527)
Gross profit		3,667	74,606	57,025	28,956
Other operating income	*4*	1	2,419	2,493	1,508
Selling expenses		(69)	(2,945)	(4,967)	(5,962)
Administrative expenses		(415)	(7,116)	(8,812)	(7,015)
Research and development costs		(62)	(4,089)	(6,918)	–
Written off of intangible assets		–	–	(1,410)	–
Profit before taxation	*5*	3,122	62,875	37,411	17,487
Taxation	*7*	–	(1,021)	–	(3,058)
Profit before minority interests		3,122	61,854	37,411	14,429
Minority interests		42	–	–	–
Net profit for the year/period		3,164	61,854	37,411	14,429
Dividends	*8*	–	30,398	–	–
Earnings per share (HK cents)	*9*				
Basic		0.23	4.05	2.20	0.85

CONSOLIDATED BALANCE SHEETS

		At 31st December,			At 30th June,
		2000	**2001**	**2002**	**2003**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*10*	3,650	9,168	40,746	74,878
Intangible assets	*11*	8,460	8,930	6,580	6,110
Deferred tax assets	*16*	–	–	–	206
		12,110	18,098	47,326	81,194
Current assets					
Inventories	*12*	11	523	401	2,039
Other receivables, prepayments and deposits		1,135	12,063	2,145	1,342
Cash and bank balances		1,366	186,583	185,106	170,728
		2,512	199,169	187,652	174,109
Current liabilities					
Trade and other payables	*13*	7,072	757	3,483	6,975
Accruals		60	1,077	1,927	2,753
Amount due to a shareholder	*14*	3,646	–	–	–
Amounts due to directors	*15*	–	2,878	–	–
Taxation payable		–	–	–	1,616
		10,778	4,712	5,410	11,344
Net current (liabilities) assets		(8,266)	194,457	182,242	162,765
Non-current liabilities					
Amount payable for acquisition of licence		752	–	–	–
		3,092	212,555	229,568	243,959
Capital and reserves					
Share capital	*17*	78	84,993	84,993	84,993
Reserves	*19*	3,014	127,562	144,575	158,966
		3,092	212,555	229,568	243,959

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share capital of subsidiaries comprising the Group	Share premium	Exchange reserve	Goodwill reserve	Special reserve	Statutory reserve fund	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2000	–	78	–	–	(129)	–	–	43	(8)
Goodwill arising on increase in interests in a subsidiary	–	–	–	–	(64)	–	–	–	(64)
Net profit for the year	–	–	–	–	–	–	–	3,164	3,164
Transfer	–	–	–	–	–	–	350	(350)	–
At 31st December, 2000 and 1st January, 2001	–	78	–	–	(193)	–	350	2,857	3,092
Exchange difference arising on translation of financial statements of operations outside Hong Kong not recognised in income statement	–	–	–	(36)	–	–	–	–	(36)
Share swap in accordance with the Corporate Reorganisation	5	(78)	–	–	–	73	–	–	–
Issue of shares by means of placing	17,000	–	153,000	–	–	–	–	–	170,000
Capitalisation issue of shares	67,988	–	(67,988)	–	–	–	–	–	–
Expenses incurred in connection with the issue of shares	–	–	(12,355)	–	–	–	–	–	(12,355)
Net profit for the year	–	–	–	–	–	–	–	61,854	61,854
Transfer	–	–	–	–	–	–	6,971	(6,971)	–
Dividends paid	–	–	–	–	–	–	–	(10,000)	(10,000)
At 31st December, 2001 and 1st January, 2002	84,993	–	72,657	(36)	(193)	73	7,321	47,740	212,555
Net profit for the year	–	–	–	–	–	–	–	37,411	37,411
2001 final dividend paid	–	–	–	–	–	–	–	(20,398)	(20,398)
At 31st December, 2002 and 1st January, 2003	84,993	–	72,657	(36)	(193)	73	7,321	64,753	229,568
Exchange difference arising on translation of financial statements of operations outside Hong Kong not recognised in income statement	–	–	–	(38)	–	–	–	–	(38)
Net profit for the period	–	–	–	–	–	–	–	14,429	14,429
At 30th June, 2003	84,993	–	72,657	(74)	(193)	73	7,321	79,182	243,959

CONSOLIDATION CASH FLOW STATEMENTS

	Year ended 31st December,			Six months ended 30th June,
	2000	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES				
Profit before taxation	3,122	62,875	37,411	17,487
Adjustments for:				
Interest income	(1)	(2,369)	(2,490)	(1,151)
Depreciation of property, plant and equipment	91	429	472	1,040
Amortisation of intangible assets	564	940	940	470
Gain on disposal of construction in progress	–	–	–	(357)
Written off of intangible assets	–	–	1,410	–
Operating cash flows before movements in working capital	3,776	61,875	37,743	17,489
Decrease (increase) in inventories	495	(512)	122	(1,638)
Decrease (increase) in other receivables, prepayments and deposits	784	(10,928)	10,897	27
Increase (decrease) in amount due to a shareholder	1,468	(3,646)	–	–
Increase (decrease) in trade and other payables	6,591	(6,315)	2,726	(2,638)
Increase in accruals	60	1,017	850	826
Increase (decrease) in amounts due to directors	–	2,878	(2,878)	–
Decrease in amount payable for acquisition of licence	(470)	(752)	–	–
Cash generated from operations	12,704	43,617	49,460	14,066
Overseas income taxes paid	–	(1,021)	–	(1,648)
NET CASH FROM OPERATING ACTIVITIES	12,704	42,596	49,460	12,418
INVESTING ACTIVITIES				
Interest received	1	2,369	1,511	1,927
Purchase of property, plant and equipment	(3,741)	(5,947)	(32,050)	(34,559)
Purchase of intangible assets	(7,520)	(1,410)	–	–
Purchase of additional interests in a subsidiary	(565)	–	–	–
Proceeds on disposal of construction in progress	–	–	–	5,709
Refund of land premium of land use rights	–	–	–	165
NET CASH USED IN INVESTING ACTIVITIES	(11,825)	(4,988)	(30,539)	(26,758)
FINANCING ACTIVITIES				
Dividends paid	–	(10,000)	(20,398)	–
Proceeds from new issue of shares less issuing expenses	–	157,645	–	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	–	147,645	(20,398)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	879	185,253	(1,477)	(14,340)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	487	1,366	186,583	185,106
EFFECT OF FOREIGN EXCHANGE RATE	–	(36)	–	(38)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD REPRESENTED BY CASH AND BANK BALANCES	1,366	186,583	185,106	170,728

NOTES TO FINANCIAL INFORMATION

1. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information set out in this report have been prepared under the historical cost convention.

The principal accounting policies which have been adopted in preparing the Financial Information set out in this report and which conform with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

As stated above, the Company became the holding company of the Group in June 2001 pursuant to the Corporate Reorganisation. Accordingly, the Group resulting from the Corporate Reorganisation is regarded as a continuing entity and the Financial Information has been prepared on a merger accounting basis as if the Company had been the holding company of the Group since 1st January, 2000, except that Fujian Goldigit was accounted for as a 80% owned subsidiary from the Date of Commencement of Business to 24th September, 2000 and the remaining 20% interest in Fujian Goldigit acquired on 25th September, 2000 was accounted for on the basis of acquisition accounting from the date of acquisition.

All significant intra-group transactions and balances have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

On the disposal of an investment in a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis so as to reflect the effective yield on the underlying asset.

Lease

Leases where substantially all the risks and rewards of ownership remain with the leasing companies are accounted for as operating leases.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally generated intangible assets are amortised on a straight-line basis over their useful lives, which is usually not more than 10 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment in the course of construction for production, rental or administrative purpose, or for purposes not yet determined, are classified as construction in progress and carried at cost, less any identified impairment loss. Cost includes all construction expenditure, professional fees and, for qualified assets, borrowing costs capitalised and other relevant expenses directly attributable to such projects.

No provision for depreciation is made on construction in progress until such time when construction work is complete and costs of construction are transferred to the appropriate category of property, plant and equipment.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, on the following basis:

Land use rights	over the unexpired term of lease
Buildings	20 years or the lease term, if shorter
Leasehold improvement	5 years
Plant and equipment	10 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Licence

The initial cost of acquiring a licence for manufacture of a particular product is capitalised and amortised on a straight-line basis over its estimated useful life, which is on average 10 years. The cost of renewing licence is charged to the income statement.

Knowhow

The initial costs of acquiring knowhow for manufacture of products are capitalised and amortised on a straight-line basis over its estimated useful life, which is usually not more than 10 years.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Foreign currencies

Transactions in currencies other than Hong Kong Dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are classified as equity and are recognised as income or as expense in the periods in which the operation is disposed of.

Retirement benefit schemes

The retirement benefit costs charged in the income statement represent the contributions payable in the periods to the Group's Mandatory Provident Fund Scheme and state-sponsored retirement plans for its employees in the PRC.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates the are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, less returns, allowances and sales tax during the Relevant Period, and is analysed as follows:

	Year ended 31st December,			Six months ended 30th June,
	2000	**2001**	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales of goods	6,438	111,159	88,168	51,264
Less: sales tax	(16)	(136)	(2,260)	(781)
	6,422	111,023	85,908	50,483

Note: Sales tax represents various local taxes levied at different rates based on the respective categories of the invoiced value of goods sold.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

As the Group is engaged only in the manufacturing of Propulsive Agent and sales of pesticides during the Relevant Period and over 90% of the consolidated turnover and trading results of the Group for the Relevant Period is derived in the PRC, an analysis of the consolidated turnover and trading results of the Group by business and geographical location is not presented.

4. OTHER OPERATING INCOME

	Year ended 31st December,			Six months ended 30th June,
	2000	**2001**	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank deposits	1	2,369	2,490	1,151
Gain on disposal of construction in progress	–	–	–	357
Sundry income	–	50	3	–
	1	2,419	2,493	1,508

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31st December, 2000	2001	2002	Six months ended 30th June, 2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	91	429	472	1,040
Amortisation of intangible assets	564	940	940	470
Total depreciation and amortisation	655	1,369	1,412	1,510
Auditors' remuneration	–	616	575	331
Operating lease charges in respect of premises	55	360	426	118
Staff costs:				
Directors' remuneration				
– fees	–	150	300	150
– other emoluments	24	612	1,278	593
	24	762	1,578	743
Staff costs excluding directors' remuneration	157	1,597	2,418	1,397
Retirement benefit scheme contributions excluding amounts included in directors' remuneration	–	89	110	77
	181	2,448	4,106	2,217

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Year ended 31st December, 2000	2001	2002	Six months ended 30th June, 2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Directors' emoluments:				
Fees:				
Executive directors	–	–	–	–
Independent non-executive directors	–	150	300	150
	–	150	300	150
Other emoluments (executive directors):				
Salaries and other benefits	24	594	1,252	585
Bonus	–	–	–	–
Retirement benefit scheme contributions	–	18	26	8
	24	612	1,278	593
Total emoluments	24	762	1,578	743

Emoluments of directors were within the following bands:

	Number of directors			
HK$nil to HK$1,000,000	3	6	7	7

Employees' Emoluments:

During the Relevant Period, the five highest paid individuals included two, three, three and three directors of the Company for each of the three years ended 31st December, 2000, 2001 and 2002 and the six months ended 30th June, 2003, respectively. The emoluments of the remaining highest paid individuals are as follows:

	Year ended 31st December,			Six months ended 30th June,
	2000	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Salaries and other benefits	34	300	662	411
Bonus	–	–	–	–
Retirement benefit scheme contributions	–	14	24	12
	34	314	686	423

During the Relevant Period, no emoluments were paid by the Group to the directors and highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived any emoluments during the Relevant Period.

7. TAXATION

	Year ended 31st December,			Six months ended 30th June,
	2000	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current tax				
Taxation in other jurisdictions	–	–	–	3,264
Underprovision of taxation in other jurisdiction in 2000	–	1,021	–	–
	–	1,021	–	3,264
Deferred tax credit	–	–	–	(206)
	–	1,021	–	3,058

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The Group's principal operating PRC subsidiary, Fujian Goldigit, was originally eligible for certain tax holiday and concessions and is exempted from PRC income taxes commencing in year 2000 for two years and thereafter a 50% exemption for the next three years.

However, on 24th May, 2001, Fujian Goldigit submitted a written application in respect of the deferral of its entitlement of privileged tax policy to 1st January, 2001 to the State Tax Bureau of Fujian Province, the PRC (the "Tax Bureau"). The application was successfully approved by the Tax Bureau on 1st August, 2001 and the Tax Bureau agreed to defer the tax holiday and concessions. Fujian Goldigit is exempted from PRC income tax commencing in year 2001 for two years and thereafter a 50% exemption for the next three years. Upon the approval of deferral of tax holiday and concessions, Fujian Goldigit was required to pay back the income tax for 2000 in year 2001. The income tax in year 2001 represented the underprovision of income tax for the year ended 31st December, 2000.

The charge for the Relevant Period can be reconciled to the profit before taxation for the income statement as follows:

	Year ended 31st December, 2000	2001	2002	Six months ended 30th June, 2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	3,122	62,875	37,411	17,487
Tax at PRC income tax rates	–	–	–	2,623
Tax effect of income that is not taxable in determining taxable profit	–	–	–	(57)
Tax effect of expenses that are not deductible in determining taxable profit	–	–	–	812
Effect of different tax rate of subsidiaries	–	–	–	58
Others	–	1,021	–	(378)
Tax expense for the year/period	–	1,021	–	3,058

For the year ended 31st December, 2000, Fujian Goldigit is subjected to PRC enterprise income tax at the rate of 27%. For the two years ended 31st December, 2001 and 2002, Fujian Goldigit is exempted from such enterprise income tax. For the six months ended 30th June, 2003, Fujian Goldigit is subject to a reduced rate of 15% for a period of three years commencing from January 2003.

For other PRC subsidiaries, Fuzhou Goldigit and Quanzhou Quangang Fine Chemical Co., Ltd., the income tax is computed at the rate of 33% on its taxable profit.

Details of the deferred tax assets for the Relevant Period are set out in note 16.

8. DIVIDENDS

No dividend has been paid or declared by the Company during the Relevant Period other than the final dividend in respect of the year ended 31st December, 2001. An interim dividend of HK$10,000,000 was declared in 2001 by a subsidiary, Goldigit Limited, before the Corporate Reorganisation.

A final dividend of HK1.2 cents per share in respect of the year ended 31st December, 2001 was proposed by the directors and approved by the shareholders of the Company on 29th April, 2002.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Year ended 31st December, 2000	2001	2002	Six months ended 30th June, 2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net profit for the year/period	3,164	61,854	37,411	14,429
Weighted average number of shares for the purpose of basic earnings per share	1,359,860,000	1,525,668,219	1,699,860,000	1,699,860,000

The weighted average number of shares have been determined on the assumption that the Corporate Reorganisation has been completed on 1st January, 2000.

10. PROPERTY, PLANT AND EQUIPMENT

	Land use rights in the PRC HK$'000	Buildings HK$'000	Leasehold improvement HK$'000	Plant and equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1st January, 2000	–	–	–	–	–	–	–	–	–
Additions during the year	–	–	74	3,619	48	–	–	–	3,741
At 31st December, 2000	–	–	74	3,619	48	–	–	–	3,741
DEPRECIATION									
At 1st January, 2000	–	–	–	–	–	–	–	–	–
Provided for the year	–	–	–	91	–	–	–	–	91
At 31st December, 2000	–	–	–	91	–	–	–	–	91
NET BOOK VALUE									
At 31st December, 2000	–	–	74	3,528	48	–	–	–	3,650
COST									
At 1st January, 2001	–	–	74	3,619	48	–	–	–	3,741
Additions during the year	–	–	–	–	131	93	371	5,352	5,947
At 31st December, 2001	–	–	74	3,619	179	93	371	5,352	9,688
DEPRECIATION									
At 1st January, 2001	–	–	–	91	–	–	–	–	91
Provided for the year	–	–	15	362	26	11	15	–	429
At 31st December, 2001	–	–	15	453	26	11	15	–	520
NET BOOK VALUE									
At 31st December, 2001	–	–	59	3,166	153	82	356	5,352	9,168
COST									
At 1st January, 2002	–	–	74	3,619	179	93	371	5,352	9,688
Additions during the year	–	–	–	–	50	–	–	32,000	32,050
Reclassification	10,393	15,027	–	–	–	–	–	(25,420)	–
At 31st December, 2002	10,393	15,027	74	3,619	229	93	371	11,932	41,738
DEPRECIATION									
At 1st January, 2002	–	–	15	453	26	11	15	–	520
Provided for the year	–	–	15	362	39	19	37	–	472
At 31st December, 2002	–	–	30	815	65	30	52	–	992
NET BOOK VALUE									
At 31st December, 2002	10,393	15,027	44	2,804	164	63	319	11,932	40,746
COST									
At 1st January, 2003	10,393	15,027	74	3,619	229	93	371	11,932	41,738
Additions during the period	–	–	1,766	–	11	–	–	38,912	40,689
Adjustment *(Note b)*	(165)	–	–	–	–	–	–	–	(165)
Reclassifications	–	(216)	–	216	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	(5,352)	(5,352)
At 30th June, 2003	10,228	14,811	1,840	3,835	240	93	371	45,492	76,910
DEPRECIATION									
At 1st January, 2003	–	–	30	815	65	30	52	–	992
Provided for the period	289	417	95	186	25	9	19	–	1,040
At 30th June, 2003	289	417	125	1,001	90	39	71	–	2,032
NET BOOK VALUE									
At 30th June, 2003	9,939	14,394	1,715	2,834	150	54	300	45,492	74,878

Notes:

(a) The land use rights in the PRC has a term of 19 years commencing in 2002.

(b) The adjustment represents the refund of land premium of the land use rights.

(c) Included in construction in progress as at 30th June, 2003 is land use rights in the PRC of HK$33,272,000 with a medium term lease. The Group is now in the process of obtaining the land use right certificate.

(d) No depreciation or amortisation has been provided in respect of the land use rights and buildings reclassified from construction in progress for the year ended 31st December, 2002 as the properties were completed in late December, 2002.

11. INTANGIBLE ASSETS

	Licence *HK$'000*	**Knowhow** *HK$'000*	**Total** *HK$'000*
COST			
At 1st January, 2000	1,880	–	1,880
Additions during the year	–	7,520	7,520
At 31st December, 2000	1,880	7,520	9,400
AMORTISATION			
At 1st January, 2000	376	–	376
Provided for the year	188	376	564
At 31st December, 2000	564	376	940
NET BOOK VALUE			
At 31st December, 2000	1,316	7,144	8,460
COST			
At 1st January, 2001	1,880	7,520	9,400
Additions during the year	–	1,410	1,410
At 31st December, 2001	1,880	8,930	10,810
AMORTISATION			
At 1st January, 2001	564	376	940
Provided for the year	188	752	940
At 31st December, 2001	752	1,128	1,880
NET BOOK VALUE			
At 31 December, 2001	1,128	7,802	8,930
COST			
At 1st January, 2002	1,880	8,930	10,810
Amount written off	–	(1,410)	(1,410)
At 31st December, 2002	1,880	7,520	9,400
AMORTISATION			
At 1st January, 2002	752	1,128	1,880
Provided for the year	188	752	940
At 31st December, 2002	940	1,880	2,820
NET BOOK VALUE			
At 31st December, 2002	940	5,640	6,580
COST			
At 1st January, 2003 and 30th June, 2003	1,880	7,520	9,400
AMORTISATION			
At 1st January, 2003	940	1,880	2,820
Provided for the period	94	376	470
At 30th June, 2003	1,034	2,256	3,290
NET BOOK VALUE			
At 30th June, 2003	846	5,264	6,110

The costs of licence and knowhow are amortised on a straight-line basis over 10 years.

12. INVENTORIES

		At 31st December,		At 30th June,
	2000	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials and consumables	10	18	19	129
Work in progress	1	103	122	127
Finished goods	–	402	260	1,783
	11	523	401	2,039

The above inventories were carried at cost.

13. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables at the respective balance sheet dates:

		At 31st December,		At 30th June,
	2000	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 180 days	1,895	5	3,483	6,130
181 to 365 days	4,707	–	–	845
Over 365 days	470	752	–	–
	7,072	757	3,483	6,975

14. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder was unsecured, interest free and repayable on demand. The amount was repaid during 2001.

15. AMOUNTS DUE TO DIRECTORS

The amounts due to directors were unsecured, interest free and repayable on demand. The amounts were repaid during 2002.

16. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group and movements thereon during the Relevant Period:

		At 31st December,		At 30th June,
	2000	2001	2002	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Excess of depreciation charges over tax allowances	–	–	–	94
Expenditure incurred and written off but not allowed for tax purpose simultaneously	–	–	–	112
Deferred tax assets	–	–	–	206

There were no deferred tax charge (credit) during the Relevant Period except during the six months ended 30th June, 2003. The components of deferred tax credit are as follows:

	HK$'000
Excess of depreciation charges over tax allowances	94
Expenditure incurred and written off but not allowed for tax purpose simultaneously	112
	206

There is no other significant unprovided deferred taxation for the Relevant Period and as at respective balance sheet dates.

17. SHARE CAPITAL

	No. of shares	*HK$'000*
Authorised:		
Shares of HK$0.10 each on incorporation	3,800,000	380
Subdivision *(Note a)*	7,600,000	380
Increase of share capital *(Note b)*	9,992,400,000	499,620
Balance as at 31st December, 2001, 31st December, 2002 and 30th June, 2003	10,000,000,000	500,000

Notes:

Pursuant to the sole shareholder's resolutions of the Company, the Company's share capital were changed as follows:

(a) Pursuant to the resolution passed on 21st June, 2001, each of the authorised, existing issued and unissued shares of HK$0.10 of the Company was sub-divided into 2 shares of HK$0.05 each.

(b) Pursuant to the resolution passed on 22nd June, 2001, the authorised share capital of the Company was then increased from HK$380,000 to HK$500,000,000 by the creation of 9,992,400,000 additional shares of HK$0.05 each.

	No. of shares	*HK$'000*
Issued and fully paid:		
Shares of HK$0.10 each on incorporation	1	–
Subdivision *(Note a)*	2	–
Issue of shares in accordance with the Corporate Reorganisation on 22nd June, 2001 *(Note b)*	99,998	5
Placing of new shares on 6th July, 2001 *(Note c)*	340,000,000	17,000
Capitalisation issue of shares in accordance with the Corporate Reorganisation	1,359,760,000	67,988
Balance as at 31st December, 2001, 31st December, 2002 and 30th June, 2003	1,699,860,000	84,993

Notes:

(a) The Company was incorporated on 9th February, 2001 with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.10 each, one of which was allotted and issued nil paid to the subscriber of the Company on the same date. Pursuant to the resolution passed on 21st June, 2001, each of the authorised, existing issued and unissued shares of HK$0.10 of the Company was sub-divided into 2 shares of HK$0.05 each.

(b) On 22nd June, 2001, the Company issued a total number of 99,998 new shares of HK$0.05 each for shares in a subsidiary, Goldigit Limited, pursuant to the Corporate Reorganisation.

(c) On 6th July, 2001, the Company issued a total of 340,000,000 new shares of HK$0.05 each at a price of HK$0.50 per share by means of placing.

The share capital as at 31st December, 2000 represented the share capital of subsidiaries comprising the Group before the Corporate Reorganisation.

18. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 22nd June, 2001 for the primary purpose of providing incentives to directors and eligible employees, and will expire in 2010. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate is not permitted to exceed 25% of the share options of the Company in issue and issuable.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from three years from the date of grant of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No option has been granted by the Company since its adoption.

19. RESERVES

	Share premium *HK$'000*	Exchange reserve *HK$'000*	Goodwill reserve *HK$'000*	Special reserve *HK$'000*	Statutory reserve fund *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1st January, 2000	–	–	(129)	–	–	43	(86)
Goodwill arising on increase in interests in a subsidiary	–	–	(64)	–	–	–	(64)
Net profit for the year	–	–	–	–	–	3,164	3,164
Transfer	–	–	–	–	350	(350)	–
At 31st December, 2000 and 1st January, 2001	–	–	(193)	–	350	2,857	3,014
Exchange difference arising on translation of financial statements of operations outside Hong Kong not recognised in income statement	–	(36)	–	–	–	–	(36)
Share swap in accordance with the Corporate Reorganisation	–	–	–	73	–	–	73
Premium arising on issue of shares by means of placing	153,000	–	–	–	–	–	153,000
Capitalisation issue of shares	(67,988)	–	–	–	–	–	(67,988)
Expenses incurred in connection with the issue of shares	(12,355)	–	–	–	–	–	(12,355)
Net profit for the year	–	–	–	–	–	61,854	61,854
Transfer	–	–	–	–	6,971	(6,971)	–
Dividends paid	–	–	–	–	–	(10,000)	(10,000)
At 31st December 2001 and 1st January, 2002	72,657	(36)	(193)	73	7,321	47,740	127,562
Net profit for the year	–	–	–	–	–	37,411	37,411
2001 final dividend paid	–	–	–	–	–	(20,398)	(20,398)
At 31st December, 2002 and 1st January, 2003	72,657	(36)	(193)	73	7,321	64,753	144,575
Exchange difference arising on translation of financial statements of operations outside Hong Kong not recognised in income statement	–	(38)	–	–	–	–	(38)
Net profit for the period	–	–	–	–	–	14,429	14,429
At 30th June, 2003	72,657	(74)	(193)	73	7,321	79,182	158,966

In accordance with the law of the PRC on foreign enterprises, Fujian Goldigit is required to transfer an amount of not less than 10% of its profit after tax to the statutory reserve fund until its balance reaches 50% of its registered capital. As the appropriation to the statutory reserve fund has reached 50% of its registered capital for the year ended 31st December, 2001, no further appropriation to this reserve was made for the year ended 31st December, 2002. The statutory reserve fund may be used for making up losses and capitalisation into capital.

Pursuant to the articles of association of the group companies established in the PRC, the amount of appropriation to development reserve and statutory public welfare fund is at the discretion of the directors of the respective group companies.

20. MAJOR NON-CASH TRANSACTION

Of the consideration payable for property, plant and equipment acquired during the six months ended 30th June, 2003, an amount of HK$6,130,000 is still outstanding as at 30th June, 2003.

21. CONTINGENT LIABILITIES

The Group had no contingent liabilities at the respective balance sheet dates.

22. OPERATING LEASE COMMITMENTS

At the respective balance sheet dates, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	At 31st December,			At 30th June,
	2000	**2001**	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	100	416	79	158
In the second to fifth year inclusive	409	492	–	118
Over five years	534	430	–	–
	1,043	1,338	79	276

23. COMMITMENTS

	At 31st December,			At 30th June,
	2000	**2001**	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for but not provided				
– Acquisition of property, plant and equipment	–	2,121	8,009	2,369
– Research and development projects	–	6,721	–	–
	–	8,842	8,009	2,369

24. RETIREMENT BENEFIT SCHEMES

The group companies operating in the PRC participate in defined contribution retirement schemes organized by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 20%, 19%, 18% and 18% of basic salary of its PRC employees for each of the three years ended 31st December, 2002 and the six months ended 30th June, 2003 respectively and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid amounted to approximately nil, HK$57,000, HK$57,000 and HK$43,000 for the three years ended 31st December, 2000, 2001 and 2002 and the six months ended 30th June, 2003 respectively.

In 2001, the Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all its non-PRC employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. During the Relevant Period, the Group made retirement benefit scheme contributions amounting to nil, HK$50,000, HK$79,000 and HK$42,000 for the three years ended 31st December, 2000, 2001 and 2002 and the six months ended 30th June, 2003, respectively.

25. RELATED PARTY TRANSACTION

On 25th September, 2000, the Group acquired from Mr. Chen Li Quan, a senior management of the Group, 20% interest in Fujian Goldigit at a total consideration of RMB600,000 in accordance with the terms of the transfer agreement.

26. FINANCIAL INFORMATION OF THE COMPANY

	NOTES	At 31st December, 2001 HK$'000	At 31st December, 2002 HK$'000	At 30th June, 2003 HK$'000
Non-current assets				
Property, plant and equipment	*27*	27	21	18
Investments in subsidiaries	*28*	28,475	28,475	28,475
		28,502	28,496	28,493
Current assets				
Other receivables and prepayments		2,572	19	55
Amounts due from subsidiaries	*29*	39,190	91,880	101,865
Cash and bank balances		144,976	67,977	53,885
		186,738	159,876	155,805
Current liabilities				
Accruals		1,056	1,139	2,065
Amounts due to directors	*15*	206	–	–
		1,262	1,139	2,065
Net current assets		185,476	158,737	153,740
		213,978	187,233	182,233
Capital and reserves				
Share capital	*17*	84,993	84,993	84,993
Reserves	*30*	128,985	102,240	97,240
		213,978	187,233	182,233

27. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Office equipments HK$'000	Total HK$'000
COST			
Additions during the period from 9th February, 2001 to 31st December, 2001	6	23	29
DEPRECIATION			
Provided for the period from 9th February, 2001 to 31st December, 2001	–	2	2
NET BOOK VALUE			
At 31st December, 2001	6	21	27

	Furniture and fixtures HK$'000	Office equipments HK$'000	Total HK$'000
COST			
At 1st January, 2002 and 31st December, 2002	6	23	29
DEPRECIATION			
At 1st January, 2002	–	2	2
Provided for the year	2	4	6
At 31st December, 2002	2	6	8
NET BOOK VALUE			
At 31st December, 2002	4	17	21
COST			
At 1st January, 2003 and 30th June, 2003	6	23	29
DEPRECIATION			
At 1st January, 2002	2	6	8
Provided for the period	1	2	3
At 30th June, 2003	3	8	11
NET BOOK VALUE			
At 30th June, 2003	3	15	18

28. INVESTMENTS IN SUBSIDIARIES

	At 31st December, 2001 HK$'000	At 31st December, 2002 HK$'000	At 30th June, 2003 HK$'000
Unlisted shares	28,475	28,475	28,475

The carrying value of the unlisted shares is based on the fair values of the underlying net assets of the subsidiaries at the time they became members of the Group under the Corporate Reorganisation.

29. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured, interest free and repayment on demand.

30. RESERVES

	Share premium *HK$'000*	Special reserve *HK$'000*	Accumulated profit/(loss) *HK$'000*	Total *HK$'000*
At 9th February, 2001	–	–	–	–
Pursuant to Corporate Reorganisation	–	28,470	–	28,470
Premium arising on issue of shares by means of placing	153,000	–	–	153,000
Capitalisation issue of shares	(67,988)	–	–	(67,988)
Expenses incurred in connection with the issue of shares	(12,355)	–	–	(12,355)
Net profit for the period	–	–	27,858	27,858
At 31st December, 2001 and 1st January, 2002	72,657	28,470	27,858	128,985
Net loss for the year	–	–	(6,347)	(6,347)
2001 final dividend paid	–	–	(20,398)	(20,398)
At 31st December, 2002 and 1st January, 2003	72,657	28,470	1,113	102,240
Net loss for the period	–	–	(5,000)	(5,000)
At 30th June, 2003	72,657	28,470	(3,887)	97,240

The special reserve of the Company represents the difference between the fair values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the Corporate Reorganisation.

The Company's reserves available for distribution to shareholders as at 31st December, 2001 and 2002 and as at 30th June, 2003 represents the aggregate of share premium, special reserve and accumulated profit/(loss) of HK$128,985,000, HK$102,240,000 and HK$97,240,000 respectively.

B. DIRECTORS' REMUNERATION

Save as disclosed in note 6 to this report, no remuneration has been paid or is payable in respect of the period covered by this report by the Company or any of its subsidiaries to the Company's directors.

C. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Best Today Investments Limited, a limited company incorporated in the British Virgin Islands.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies in the Group in respect of any period subsequent to 30th June, 2003.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of valuation and valuation certificates, received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation of the property interest of the Group as at 31st July, 2003.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2407
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

29th September, 2003

The Directors
Goldigit Atom-tech Holdings Limited
Unit 908
9/F., K. Wah Centre
191 Java Road
North Point
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interest of Goldigit Atom-tech Holdings Limited (referred to as the "Company'') and its subsidiaries (together referred to as the "Group'') in Hong Kong and the People's Republic of China (the "PRC''), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the capital value of such property interest as at 31st July, 2003 (referred to as the "date of valuation'').

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of properties and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

In this report, we have valued the property interest in its designed uses with the understanding that the property will be used as such (referred to as "continued use").

VALUATION METHODOLOGY

Due to the nature of buildings and structures constructed, there are no readily identifiable market comparable to them, we have applied the cost method of valuation in assessing the property. It is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the date of valuation.

This method of valuation, cost method, is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

The cost method generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable.

ASSUMPTIONS

Our valuation has been made on the assumption that the Group sells the property interest in their continued use and in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property interest.

Continued use assumes the property will be used for the purposes for which the property is designed and built, or to which it is currently adapted. The valuation on the property in continued use does not represent the amount that might be realized from piecemeal disposition of the property on the open market.

For the property interest which are held under long term Government Leases/Land Use Rights, we have assumed that the owners of the property interest have free and uninterrupted rights to use or transfer the property interest for the whole of the unexpired term of the respective Government Leases/Land Use Rights. In our valuation, we have assumed that the property interest can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities. Unless stated as otherwise, vacant possession is assumed for the properties concerned.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected thereon have been granted. Also, we have assumed that all buildings and structures fall within the site are held by the owner or permitted to be occupied by the owner.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. In addition, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions of each property, if any, have been stated out in the footnotes of the valuation certificate for the respective properties.

TITLESHIP INVESTIGATION

For the property interest owned by the Group in the PRC, we have been provided with copy of title document. However, due to the current registration system of the PRC, no investigations have been made for the legal title or any material liabilities attached to the properties.

For the property interest leased by the Group, we have been provided with copy of tenancy agreement of the property under valuation. However, we have not inspected the original document to ascertain any amendments appear on the copy handed to us.

In the course of our valuation, we have relied upon the legal opinions as stated in two title reports dated 29th September, 2003 given by Chen & Co. (瑛明律師事務所) (the "PRC Lawyer") and tenancy report dated 29th September, 2003 given by Sidley Austin Brown & Wood (the "Company's Legal Adviser") in relation to the legality of the properties.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interest set out in this report.

LIMITING CONDITIONS

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the property interest but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the property is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

No soil investigation has been carried out to determine the suitability of the ground conditions or the services for any property development.

We do not investigate any industrial safety, environmental and health related regulations in association with any particular manufacturing process of the Company. It is assumed that all necessary licences, procedures and measures were implemented in accordance with government legislation and guidance.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of the property in which the Group has valid interests. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property valued nor for any expenses or taxation which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Since the property is located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised his professional judgement in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

OPINION OF VALUE

Valuation figures of the property interest held by the Group are shown in the attached summary of valuation and their respective valuation certificates.

For the property interest leased to the Group under a tenancy agreement, it has no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rent or short term nature.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and comply with the requirements of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited. However, due to the circumstance of a pending title certificate, valuation of property no. 2 departs from the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors. Detailed explanations have been stated out in the footnote (iii) of the valuation certificate.

Property interest in Hong Kong are denominated in Hong Kong Dollars and property interest in the PRC are denominated in Renminbi.

We enclose herewith the summary of valuation and valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
Greater China Appraisal Limited
K. K. Ip
BLE, MRICS, AHKIS, RPS(GP)
Managing Director

Note: Mr. K. K. Ip, who is a Chartered Valuation Surveyor and a Registered Professional Surveyor, has substantial experience in valuation of properties in Hong Kong and the PRC since 1992.

SUMMARY OF VALUATION

No.	Property	Capital value in Existing State as at 31st July, 2003
Group I – Property interest held by the Group in the PRC		
1.	Land, Buildings and Structures located at No. 37 Jintang Road Jinshan Industrial Zone Cangshan District Fuzhou Fujian Province The PRC	RMB27,200,000
Group II – Property interest contracted to be acquired by the Group in the PRC		
2.	Land and Buildings located at Lot No. 15 Kuai An Yan Shen Area Fuzhou Development Zone Ma Wei District Fuzhou Fujian Province The PRC	No commercial value (see footnote (iii) in valuation certificate for detailed explanation)
Group III – Property interest leased to the Group in Hong Kong		
3.	Unit 908 on 9th Floor K. Wah Centre No. 191 Java Road North Point Hong Kong	No commercial value

VALUATION CERTIFICATE

Group I – Property interest held by the Group in the PRC

No.	Property	Description	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
1.	Land, Buildings and Structures located at No. 37 Jintang Road Jinshan Industrial Zone Cangshan District Fuzhou Fujian Province The PRC	The property comprises a land parcel (the "Land"), a 6-storey building and a 3-storey building (the "Buildings") and ancillary structures. The Buildings were completed in 2002. The land area of the Land is approximately 9,953 square metres and the total construction floor area of the Buildings is approximately 7,699 square metres. The property is held under a Land Use Right Certificate for a term expiring on 28th October, 2020 for industrial use.	The property is currently occupied by the Group as office, production workshop and research and development centre.	RMB27,200,000

Notes:

(i) According to a Land Use Right Certificate issued by Fuzhou Municipal Land Management Bureau dated 8th March, 2002, the Land with a land area of 9,953 square metres was granted to Fujian Goldigit Fine Chemical Industry Co. Ltd. (福建省金澤精細化工有限公司) ("Fujian Goldigit") for a term expiring on 28th October, 2020 for industrial use.

(ii) The Land Use Right Certificate mentioned in note (i) is valid for 1 year from 8th March, 2002 to 7th March, 2003. The owner is required to apply to relevant land registration authority for an extension. On 22nd April, 2003, the land registration authority agreed that the abovementioned Land Use Right Certificate is valid until construction works on the site has been completed.

(iii) The land portion of the property was purchased in 2001. The acquisition cost of the land was RMB11,056,500 which has been fully paid as confirmed by the PRC legal advisers.

(iv) Opinions of the PRC Lawyer are summarized as follows:

(a) The land use right of the property was granted to Fujian Goldigit according to a Land Use Right Certificate issued by Fuzhou Municipal Land Management Bureau dated 8th March, 2002;

(b) The subject land, has an area of 9,953 square metres, is for industrial use with a term expiring on 28th October, 2020;

(c) The Land Use Right Certificate is valid for 1 year from 8th March, 2002 to 7th March, 2003. Application of extension to relevant land registration authority is required one month before expiry;

(d) As agreed by the land registration authority on 22nd April, 2003, the Land Use Right Certificate is valid until construction works on the site has been completed;

(e) It is confirmed that the Land Use Right Certificate is valid as Fujian Goldigit has executed all necessary procedures for approval and paid all necessary land premium and taxes in relation;

(f) The maximum permitted construction floor area is 15,668 square metres on the subject land;

(g) According to a Construction Works Planning Approval issued on 23rd April, 2002 by Fuzhou Planning Bureau, 2 blocks of building (namely Factory A and Research & Development Centre) with a total construction floor area of 7,699 square metres were allowed to be built;

(h) Completion Certificate is not available although construction works of the 2 blocks of building has been finished.

VALUATION CERTIFICATE

Group II – Property interest contracted to be acquired by the Group in the PRC

No.	Property	Description	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
2.	Land and Buildings located at Lot No. 15 Kuai An Yan Zhen Area Fuzhou Development Zone Ma Wei District Fuzhou Fujian Province The PRC	The property comprises a parcel of land ("the Land") with land area of approximately 21,313.40 square metres and 4 buildings (the "Buildings") erected on the Land. The Buildings were completed in 1997. The total construction floor area of the Buildings is approximately 31,340.66 square metres. Detailed breakdown as follows:	The property is currently vacant.	no commercial value (see footnote (iii) for detailed explanation)

Buildings	No. of Storey	Construction Floor Area (sq.m.)
Factory	5	17,571.83
Office and Amenities	2 to 5	4,002.00
Staff Dormitory	7	9,266.83
Ancillary	1	500.00
Total:		31,340.66

Ownership of the property has been adjudged to be held by the Group by Fuzhou Municipal Intermediate People's Court. However, the application of title documents is under process.

Notes:

(i) Opinions of the PRC Lawyer are summarized as follows:

(a) The property, formerly known as the land, factory buildings and ancillary buildings of the first phase of Fuzhou Development Zone Ao Li Wei Electronic Technology Development Co., Ltd., was formerly held by Fuzhou Development Zone Ao Li Wei Electronic Technology Development Co., Ltd. (福州開發區奧力威電子科技發展有限公司) ("Ao Li Wei"). Ao Li Wei was engaged and lost in a lawsuit with China State Construction 7th Engineering Bureau 3rd Construction Branch Co. (中國建築第七工程局第三分建築公司) (the "Contractor") and Ao Li Wei subsequently failed to fulfill its obligation of paying the Contractor. The Fuzhou Municipal Intermediate People's Court ordered to close the property and authorized Fujian Oriental Action Auctioneer (福建東方拍賣行) to sell the property by auction.

(b) Pursuant to a Confirmation Letter of Auction Sale of Fujian Province (福建省拍賣成交確認書) dated 18th December, 2002, the property was confirmed to be sold to Master Tailor Investments Limited ("Master Tailor") by auction at a bidding price of RMB27,500,000 which has been fully paid on 17th March, 2003;

(c) Pursuant to a Civil Adjudgement (民事裁定書) dated 12th March, 2003, Fuzhou Municipal Intermediate People's Court confirmed the auction result mentioned in (i)(a) and adjudged that, effective on the date of delivery to Master Tailor,

(1) the land (with land area of approximately 21,323.4 sq.m.), factory buildings and ancillary buildings; together with the power supply system (including transformer, high voltage and low voltage distribution boards and other power supply equipment) located at Lot no. 15, Kuai An Yan Zhen Area, Fuzhou Development Zone formerly owned by Ao Li Wei are held by Master Tailor; and

(2) Master Tailor can apply to the relevant authorities for the transfer of ownership.

It is further confirmed by the PRC Lawyer that the Civil Adjudgement is effective from 24th March, 2003, on which the Civil Adjudgement was delivered to Master Tailor.

(d) Transfer of ownership over the property from former owner to Master Tailor was made on 14th March, 2003 according to a notice dated 14th March, 2003 issued by Fuzhou Municipal Intermediate People's Court addressed to Fuzhou Ma Wei State-owned Land Resources Bureau and Fuzhou Ma Wei Buildings Management Bureau;

(e) Master Tailor has authorized Fuzhou Development Zone Goldigit Fine Chemical Industry Co., Ltd. ("Fuzhou Goldigit") to use the property on 15th March, 2003;

(f) According to a Land Use Right Grant Contract entered into between Fuzhou Ma Wei State-owned Land Resources Bureau and Fuzhou Goldigit dated 23rd May, 2003, the Land was contracted to be granted to Fuzhou Goldigit with a land use right term of 50 years for industrial use.

(g) It is confirmed that Fuzhou Goldigit has paid, on 21st July, 2003, the land premium of RMB5,440,000, property tax and land management fee of RMB256,000 to Fuzhou Ma Wei Land Management Bureau.

(h) There will be no impediment for the Group to obtain the Land Use Right Certificate and Building Ownership Certificate.

(ii) As advised by the Company, the Land Use Right Certificate is expected to be obtained around October 2003 subject to a remaining balance of property tax of approximately RMB800,000 which will be paid upon the issuance of the Land Use Right Certificate. The acquisition cost and incidental costs will be approximately RMB35.4 million of which the bidding price, auctioneer's handling charges, land premium, property tax (part of) and land management fee, with a total amount of approximately RMB34.6 million, have been paid.

(iii) The market value of the property is RMB40,600,000. This valuation has been made based on the assumption that all outstanding fees have been settled and the Land Use Right Certificate has been obtained.

As the Land Use Right Certificate has not been obtained, "no commercial value" is stated as the capital value in existing state, instead of the market value, in order to draw readers' attention of such a pending title document and prevent misleading impression.

(iv) In arriving at the market value of the property, we have further assumed that the owner of the property have free and uninterrupted rights to use, or transfer the property for the whole of the unexpired term of the land use rights, and that the property can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities.

VALUATION CERTIFICATE

Group III – Property interest leased to the Group in Hong Kong

No.	Property	Description	Particulars of occupancy	Capital value in existing state as at 31st July, 2003
3.	Unit 908 on 9th Floor K. Wah Centre No. 191 Java Road North Point Hong Kong	The property comprises an office unit in a 29-storey commercial building which was completed in 1991. The gross floor area of the property is approximately 135.73 square metres (1,461 square feet). The property is held under a tenancy agreement for a term of 2 years commencing from 1st April, 2003 and expiring on 31st March, 2005, with a monthly rent of HK$13,149 exclusive of rates, management fee and air-conditioning fee.	The property is currently occupied by the Group as office.	no commercial value

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9th February, 2001 under the Companies Law. The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate, irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law of the world whether as principal, agent, contractor or otherwise whatever may be and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22nd June, 2001. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of any Designated Stock Exchange (as defined in the Articles)) is beneficially interested in 5 per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest is derived); or

(ff) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation provided that no Director holding office as chairman and/or managing director shall be subject to retirement by rotation, or be taken into account in determining the number of Directors to retire. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board whereupon the Board resolves to accept such resignation;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law; and

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or share premium account or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of incorporation (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of incorporation, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors; and

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. in nominal value of its existing issued share capital.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or such other form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least 2 hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 dollars, at the registered office or such other place in the Cayman Islands at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums or shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the Company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 27th February, 2001.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the court or by a special resolution of its members. The court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A company is placed in liquidation either by an order of the court or by a special resolution of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice or otherwise as the Registrar of Companies may direct.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Courts. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting shareholders of a United States corporation.

(p) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court of the Cayman Island within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, Cayman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT THE COMPANY

Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9th February, 2001 with an authorised share capital of HK$380,000 divided into 3,800,000 shares of a nominal value of HK$0.10 each, upon which 1 share of HK$0.10 was allotted and issued nil paid to Codan Trust Company (Cayman) Limited as subscriber on incorporation and which was subsequently transferred to Mr. Lao on 16th March, 2001 at nil consideration, and then to Best Today on 20th June, 2001 at a nominal consideration of HK$0.01.

On 21st June, 2001, pursuant to a resolution in writing passed by the sole shareholder of the Company, every issued and unissued share of HK$0.10 each in the capital of the Company was subdivided ("the **Subdivision**") into two Shares of HK$0.05 each such that the authorised share capital of the Company was HK$380,000 divided into 7,600,000 Shares of HK$0.05 each and the issued share capital of the Company of HK$0.10 was divided into 2 Shares of HK$0.05 each issued nil paid and held by Best Today.

The Company has established a principal place of business in Hong Kong at Unit 908, 9th Floor, K.Wah Centre, No. 191 Java Road, North Point, Hong Kong. The Company has been registered as an oversea company under Part XI of the Companies Ordinance since 25th May, 2001. Mr. Lao of Flat F, 24th Floor, Yuan Kung Mansion, 20 Tai Koo Shing Road, Hong Kong and Mr. Cheung Ying Kwan of Flat G, 2nd Floor, Block 3, Site 4, Whampoa Garden, Kowloon, Hong Kong have been appointed as the authorised representatives of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

The Company is incorporated in the Cayman Islands and is subject to the Cayman Islands company law. Its constitution comprises the memorandum of association and articles of association. A summary of certain relevant parts of the Company's constitution and certain relevant aspects of the Cayman Islands company law is set out in Appendix III to this document.

Changes in share capital of the Company

As at the date of its incorporation, the initial authorised share capital of the Company was HK$380,000 divided into 3,800,000 shares of a nominal value of HK$0.10 each, out of which one share of HK$0.10 was allotted and issued nil paid to Codan Trust Company (Cayman) Limited as subscriber on incorporation representing the then entire issued share capital of the Company. The said nil-paid share of HK$0.10 was subsequently transferred to Mr. Lao on 16th March, 2001 at nil consideration, and then to Best Today on 20th June, 2001 at a nominal consideration of HK$0.01. Following the Subdivision on 21st June, 2001, the then authorised share capital of the Company was HK$380,000 divided into 7,600,000 Shares of HK$0.05 each, and the then issued share capital of the Company of HK$0.10 was divided into 2 Shares of HK$0.05 each issued nil paid and held by Best Today.

On 22nd June, 2001, in accordance with the sale and purchase agreement between the Company, Mr. Lao, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan dated 22nd July, 2001, the Company acquired from Mr. Lao, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan, the entire issued share capital of Goldigit Limited, and in consideration thereof (i) an aggregate of 99,998 Shares, credited as fully paid, were allotted and issued to Best Today (at the direction of Mr. Lao) as to 85,998 Shares, Mr. Li Lai Ming as to 5,000 Shares, Ms. Ho Ping, Tanya as to 4,500 Shares and Mr. Tsang Man Chan as to 4,500 Shares; and (ii) credited as fully paid up at par, the then existing 2 Shares issued nil paid and held by Best Today.

On 22nd June, 2001, in accordance with the written resolutions of the sole shareholder of the Company passed on 22nd June, 2001, the authorised share capital of the Company was increased from HK$380,000 to HK$500,000,000 by the creation of an additional 9,992,400,000 Shares.

On 6th July, 2001, the Company allotted and issued a total of 340,000,000 Shares at HK$0.50 per Share through its initial public offering by way of placing, and a total of 1,359,760,000 Shares, credited as fully paid, to holders of Shares (or as they may direct) whose names appeared on the register of members of the Company at the close of business on 22nd June, 2001 in proportion to their then existing shareholdings of the Company, by capitalising HK$67,988,000 standing to the credit of the share premium account of the Company.

As at the Latest Practicable Date, the authorised share capital of the Company is HK$500,000,000 divided into 10,000,000,000 Shares and the issued share capital is HK$84,993,000 divided into 1,699,860,000 Shares, each of which was allotted fully paid or credited as fully paid, and 8,300,140,000 Shares remained unissued. Other than the Shares issuable pursuant to the exercise of any options which may, prior to its termination, be granted under the Share Option Scheme or which may be granted under the Proposed Share Option Scheme if the same are approved by the Shareholders, the Directors have no present intention to issue any part of the authorised but unissued capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company unless otherwise permitted by the Stock Exchange.

Save as disclosed herein, there has been no alteration in the share capital of the Company since the date of its incorporation.

Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the accountants' report, the text of which is set out in Appendix I to this document.

Spring New Developments Limited

On 12th June, 2001, Spring New was incorporated in the BVI as an International Business Company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 15th August, 2001, Goldigit Limited subscribed for 1 share of US$1.00 each in Spring New and was duly allotted and issued by Spring New.

泉州泉港金澤精細化工有限公司 *(Quanzhou Quangang Fine Chemical Co., Ltd.)*

Quanzhou Quangang was established in the PRC as a wholly foreign owned enterprise on 16th November, 2001, with a total registered capital of US$1,000,000 and is wholly-owned by Spring New.

Master Tailor Investments Limited

On 2nd September, 2002, Master Tailor was incorporated in the BVI as an International Business Company with an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 18th December, 2002, Goldigit Limited subscribed for 1 share of US$1.00 each in Master Tailor and was duly allotted and issued by Master Tailor.

福州開發區金澤精細化工有限公司 *(Fuzhou Development Zone Goldigit Fine Chemical Industry Co., Ltd.)*

Fuzhou Goldigit was established in the PRC as a wholly foreign owned enterprise on 28th January, 2003, with a total registered capital of HK$10,000,000 and is wholly-owned by Master Tailor.

Save as disclosed herein, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years preceding the date of this document.

Repurchase by the Company of its own Shares

This paragraph includes the information required by the Listing Rules to be included in this document concerning the Repurchase Mandate.

(a) Source of funds

Repurchase must be paid out of funds legally available for such purpose in accordance with the Company's memorandum and articles of association, the applicable laws and regulations of the Cayman Islands and the GEM Listing Rules (prior to the listing of Shares on the Main Board) or the Listing Rules (after the listing of the Shares on the Main Board). A company whose shares are listed on the Stock Exchange may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in force from time to time.

(b) Reasons for repurchase

The Directors believe that it is in the best interest of the Company and its Shareholders for the Directors to have a general authority from the Shareholders to enable the Directors to repurchase, on behalf of the Company, Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

(c) Exercise of the Repurchase Mandate

On the basis of the current financial position of the Group as disclosed in this document and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this document. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing level of the Group which in the opinion of the Directors are from time to time appropriate for the Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,699,860,000 Shares which would be in issue as at 15th October, 2003 (being the expected date of approval of the Repurchase Mandate), would result in up to 169,986,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(d) General

The Company has not repurchased any of its Shares since its incorporation. None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, their associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

If, as a result of a share repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition of such voting rights for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory general offer in accordance with rules 26 and 32 of the Takeovers Code. As at the date of this document, Best Today, a company wholly owned by Mr. Lao, held approximately 68.80% of the issued share capital of the Company. In the event that the Directors exercised in full the power to repurchase Shares in accordance with the Repurchase Mandate, the total shareholding of Best Today in the Company would be increased to approximately 76.44% of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory general offer under the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The full exercise of the Repurchase Mandate will not result in the number of Shares held by the public being reduced to less than the minimum prescribed percentage (as defined under the Listing Rules) of the Shares then in issue.

No connected person (as defined in the Listing Rules) has notified the Company that he/she/it has any present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

The highest and lowest prices at which the Shares have traded on GEM during each of the 12 months before the Latest Practicable Date are as follows:

	Price per Share	
	Highest	**Lowest**
	HK$	*HK$*
September 2003*	0.146	0.114
August 2003	0.116	0.088
July 2003	0.100	0.082
June 2003	0.106	0.090
May 2003	0.105	0.080
April 2003	0.108	0.068
March 2003	0.135	0.095
February 2003	0.132	0.117
January 2003	0.152	0.116
December 2002	0.150	0.115
November 2002	0.179	0.120
October 2002	0.195	0.140
September 2002	0.240	0.180

* *up to the Latest Practicable Date*

FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

Summary of material contracts

No material contract (not being contracts in the ordinary course of business of the Group) has been entered into by any members of the Group within the two years preceding the date of this document.

Intellectual property

(a) As at the Latest Practicable Date, the Group had registered the following trademarks in the PRC:

Trademark	Country of registration	Class *(see notes 1 and 2)*	Registration No.	Renewal Date
金泽精化 Goldigit Chemical	PRC	35	1774497	20th May, 2012
金泽精化 Goldigit Chemical	PRC	42	1779961	27th May, 2012
金泽精化 Goldigit Chemical	PRC	05	1740485	6th April, 2012
金泽灵 Jin Ze Ling	PRC	05	1736544	27th March 2012

(b) As at the Latest Practicable Date, the Group had registered the following trademarks in Hong Kong:

Trademark	Country of registration	Class *(see notes 1 and 2)*	Registration No.	Renewal date
	Hong Kong	05	B06658 of 2002	13th June, 2008
Goldigit	Hong Kong	35	05011 of 2002	13th June, 2008
Goldigit	Hong Kong	16	05010 of 2002	13th June, 2008

Notes:

(1) All trademark registrations are subject to the International Classification of Goods and Services (Nice Classification). The main goods and services covered by the registrations set out above are as follows:–

Class 5	–	covers pesticides products
Class 16	–	covers paper, cardboard and goods made from these materials, printed matter and publications, stationery posters, trading cards
Class 35	–	covers retailing, wholesaling and distributorship of pesticides
Class 42	–	covers plant protection products

(2) The descriptions of goods and services covered by the registrations in different countries may vary according to the trademark practices in different countries. The specifications of goods and services set out under Note (1) above should not be viewed as the exact descriptions of goods and services covered by all registrations in all countries.

Patents

As at the Latest Practicable Date, the Group had applied for the registration of the following patents:

Patent	Place of registration	Application Number	Application Date
A type of chemical solvent which can cause pesticide molecules to diffuse over water surface	PRC	00129971.9	16th October, 2000
A type of chemical solvent agent which can cause certain pesticide molecules to automatically diffuse over water surface	PRC	01100367.7	3rd January, 2001

Internet domain names

As at the Latest Practicable Date, the Group is the registered owner of the domain names specified below:

Domain Name	Registration Date	Expiry Date
goldigit-online.com	27th December, 2000	27th December, 2003
goldigit-chemical.com	27th December, 2000	27th December, 2003
goldigit-hi-tech.com	27th December, 2000	27th December, 2003
goldigit-agriculture.com	27th December, 2000	27th December, 2003
goldigit.com.cn	10th January, 2001	10th January, 2004
goldigit.net.cn	10th January, 2001	10th January, 2004
goldigit.com.hk	14th March, 2003	13th March, 2005
goldigit.com	16th September, 2000	16th September, 2005
goldigit.cn	17th March, 2003	17th March, 2004

Information on the Group's PRC subsidiaries

The following is a summary of information regarding the Company's indirect subsidiaries in the PRC:

福建省金澤精細化工有限公司 *(Fujian Goldigit Fine Chemical Industry Co., Ltd.)*

Nature:	Wholly foreign owned enterprise
Date of establishment:	29th October, 1997
Operation term:	29th October, 1997 to 28th October, 2020
Registered capital:	HK$3,000,000
Total investment:	HK$3,000,000
Attributable interest of the Company:	100%

泉州泉港金澤精細化工有限公司 *(Quanzhou Quangang Fine Chemical Co., Ltd.)*

Nature:	Wholly foreign owned enterprise
Date of establishment:	16th November, 2001
Operation term:	16th November, 2001 to 16th November, 2051
Registered capital:	US$1,000,000
Total investment:	US$1,400,000
Attributable interest of the Company:	100%

福州開發區金澤精細化工有限公司 *(Fuzhou Development Zone Goldigit Fine Chemical Industry Co., Ltd.)*

Nature:	Wholly foreign owned enterprise
Date of establishment:	28th January, 2003
Operation term:	28th January, 2003 to 27th January, 2023
Registered capital:	HK$10,000,000
Total investment:	HK$14,000,000
Attributable interest of the Company:	100%

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

Interest of Directors

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which were required, pursuant to the Rules 5.40 to 5.58 of the GEM Listing rules relating to securities transactions by directors of companies listed on GEM:

Name of Director	Company/ name of associated corporation	Capacity and types of interest	Number and class of securities	Approximate % of shareholding in the same class of securities
Mr. Lao	Company	Interest of controlled corporations	1,169,479,600 Shares (L) *(notes 1 and 2)*	68.80%
Mr. Lao	Best Today	Beneficial owner	1 share of US$1.00 each (L) *(note 1)*	100.00%

Notes:

1. The letter "L" denotes a long position in Shares or other securities.

2. These Shares were held by Best Today, a company incorporated in the BVI and wholly owned by Mr. Lao. Mr. Lao was deemed to have interests in the interests of Best Today in the Shares by virtue of being the legal and beneficial owner of the entire issued share capital of Best Today.

Interest of substantial shareholder

Save as disclosed below, so far as the Directors are aware, as at the Latest Practicable Date, no person (not being a Director, chief executive of the Company nor a member of the Group) has an interest or short position in the shares, underlying shares or debentures of the Company which would be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name	Name of member of the Group	Capacity and type of interest	Number and class of securities	Approximate % of shareholding in the same class of securities
Best Today	Company	Beneficial owner *(note 2)*	1,169,479,600 Shares (L) *(note 1)*	68.80%

Notes:

1. The letter "L" denotes a long position in Shares or other securities.

2. These Shares were held by Best Today, a company incorporated in the BVI and wholly owned by Mr. Lao.

Interest of other shareholders

Save as disclosed in the above paragraphs, as at the Latest Practicable Date, no person has an interest or short position in the shares, underlying shares or debentures of the Company which was recorded in the register required to be kept by the Company under section 336 of the SFO.

Particulars of service contracts

Each of the executive Directors has entered into a service agreement with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are set out below:

(a) unless and until terminated by not less than six months' prior notice in writing served by either party on the other, which notice period shall not expire at any time during the first year, each service agreement is of an initial term of three years commencing from 22nd June, 2001 and shall continue thereafter for successive terms of one year commencing from the day next after the expiry of the then current term. However, the commencement dates of the service agreements with Mr. Lao, Prof. Cai, Mr. Yeh Tung Ming and Mr. Wong Kin Ping are 22nd June, 2001, 22nd June, 2001, 20th December, 2002 and 28th May, 2003 respectively;

(b) each of the executive Directors is entitled to the respective basic salaries set out below (subject to an annual increment at a rate of not more than 15% of his annual salary immediately prior to such increase to be determined from time to time by the board of Directors). In addition, each of the executive Directors is also entitled to a discretionary annual bonus of a sum to be determined at the discretion of the board of Directors provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 6% of the audited consolidated net profit of the Company after taxation and minority interest but before extraordinary and exceptional items in respect of that financial year of the Company. The executive Directors' entitlement to the discretionary annual bonus in respect of any financial year shall only be payable when the audited consolidated net profit of the Group after taxation and minority interest but before extraordinary and exceptional items and before payment of the total discretionary bonus payable to all the executive Directors for such year exceeds HK$60,000,000. The amount of the annual salary increase and the bonus payable under such service contracts are at the sole discretion of the board of Directors provided that the respective party to such service contracts may not vote or be counted in the quorum in respect of any such determination of the board of Directors in relation to him. Each of the Directors will also be entitled to all reasonable out-of-pocket expenses and medical expenses; and

(c) the basic monthly salaries of the executive Directors are as follows:

Name	**Amount** *(HK$)*
Mr. Lao	30,000
Prof. Cai	30,000
Mr. Yeh Tung Ming	30,000
Mr. Wong Kin Ping	15,000

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation or other statutory compensation).

Directors' remuneration

During the year ended 31st December, 2002, the aggregate remuneration paid and benefits in kind granted to the Directors who acted in the capacity as a director of the Group were approximately HK$1,578,000.

Under the present arrangements, the aggregate of the remuneration paid or payable to, and benefits in kind received or receivable by, the Directors for the year ending 31st December, 2003 are estimated to be approximately HK$1,600,000 (excluding management bonuses, if any, payable to the Directors).

Disclaimers

Save as disclosed in this document:

(a) none of the Directors or the experts named in the paragraph headed "Qualification of experts" of this appendix is interested in the promotion of, or has any direct or indirect interest in, any assets which were acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this document or which are proposed to be acquired or disposed of by or leased to any member of the Group;

(b) no Director is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole; and

(c) none of the experts named in the paragraph headed "Qualification of experts" of this appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

SHARE OPTION SCHEMES

Share Option Scheme

If approved by the Shareholders at the extraordinary general meeting of the Company to be held on 15th October, 2003, the Share Option Scheme as detailed in the Prospectus will be superseded by the Proposed Share Option Scheme upon commencement of trading in Shares on the Main Board, which is expected to be at 9:30 a.m. on 27th October, 2003. As at the date hereof, no option has been or has agreed to be granted pursuant to the Share Option Scheme.

Proposed Share Option Scheme

The following is a summary of the principal terms of the rules of the Proposed Share Option Scheme proposed to be adopted by the Shareholders at the extraordinary general meeting of the Company to be held on 15th October, 2003 to replace the Share Option Scheme:

1. Purpose

The purpose of the Proposed Share Option Scheme is to enable the Company to grant options to the Eligible Participants (as defined in paragraph 2 below) as incentives and rewards for their contribution to the Company or such subsidiaries.

2. Who may join

The Board may, at its discretion, offer eligible participants (being employees (whether full time or part time), executives and officers of the Company and any of its subsidiaries (including executive and non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisers to the Company or its subsidiaries who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries) (the "**Eligible Participants**") options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee thereof shall pay HK$1.00 to the Company by way of consideration for the grant.

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Proposed Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total issued Shares (i.e., 169,986,000 Shares, assuming that no Shares will be issued prior to the close of the extraordinary general meeting) as at the date of approval and adoption of the Proposed Share Option Scheme by the Shareholders (which is expected to be 15th October, 2003, being the date of the extraordinary general meeting). Options lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/ or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) refresh this limit at any time up to 10% of the Shares in issue as at the date of the approval of the limit as refreshed by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Proposed Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

4. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Proposed Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed one per cent of the Shares in issue as at the date of grant.

Any further grant of options in excess of this one per cent limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting and other requirements prescribed under the Listing Rules from time to time.

5. Price of Shares

The subscription price for a Share in respect of any particular option granted under the Proposed Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five (5) business days immediately preceding the date of offer to grant option; and (c) the nominal value of a Share.

6. Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee of the options).

If the Company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive director of the Company or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue on the date of the offer; and

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares at the date of each offer, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting, and such other requirements prescribed under the Listing Rules from time to time. A connected person (as defined in the Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

7. Restrictions on the time of grant of options

An offer to grant option may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's annual or interim results; and (b) the deadline for the Company to publish its interim or annual results announcement under the listing agreement and ending on the date of actual publication of the results announcement.

8. Rights are personal to grantee

An option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or attempt to do so.

9. Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The Board is currently unable to determine such minimum period. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Proposed Share Option Scheme. Subject to earlier termination by the Company in general meeting, the Proposed Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Proposed Share Option Scheme by Shareholders by resolution at a general meeting.

10. Performance Target

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Proposed Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Proposed Share Option Scheme and the Board is currently unable to determine such restriction on the exercise of the options granted under the Proposed Share Option Scheme.

11. Rights on ceasing to be an Eligible Participant and death

In the event of the grantee ceasing to be an Eligible Participant for any reason (including his or her death) other than (i) the termination of his or her relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph 12 below; or (ii) the termination of the same for any reason during the 12-month period following the date upon which the relevant option is deemed to be granted and accepted in accordance with the Proposed Share Option Scheme, the grantee may exercise the option up to his or her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of six (6) months following the date of such cessation, which date shall be the last actual working day on which the grantee was at work with the Company or its relevant subsidiary on which salary is paid whether in lieu of notice or not, or such longer period as the Board may in its absolute discretion determine.

12. Lapse of option on misconduct, bankruptcy or dismissal etc.

If a grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his debts or has become insolvent or has made any arrangement or has compromised with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the company or the relevant subsidiary, his option will lapse and not be exercisable on the date of termination of his or her relationship with the Company and/or any of its subsidiaries.

13. Rights on general offer

If a general offer, whether by way of takeover, share repurchase offer or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option in full or in part (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

14. Rights on compromise or arrangement between the Company and its members or creditors

If, pursuant to the Companies Law, a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed and determined. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

15. Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the date of the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant number of Shares to the grantee credited as fully paid.

16. Lapse of the options

An option will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry date relevant to that option;

(ii) the expiry of any of the periods referred to in paragraphs 11 or 14 above;

(iii) the date of commencement of the winding-up of the Company (as determined in accordance with the applicable law) as referred to in paragraph 15 above;

(iv) the date on which the scheme for the reconstruction of the Company or its amalgamation with any other company or companies, becomes effective as referred to in paragraph 14 above;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds specified in paragraph 12 above. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 above shall be conclusive;

(vi) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of the prohibitions specified in paragraph 8 above or the options are cancelled in accordance with paragraph 20 below;

(vii) the date on which the grantee ceases to be so employed by the Company and/or any of its subsidiaries during the 12-month period following the date on which the option is deemed to be granted and accepted in accordance with the Proposed Share Option Scheme;

(viii) the date on which the grantee ceases to be an Eligible Participant on or after committing any act of bankruptcy or becoming insolvent or making any arrangements or composition with his creditors generally.

17. Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof and will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the relevant date of issue. In particular, such Shares will rank pari passu in respect of voting, transfer and other rights, including those arising on liquidation of the Company and rights in respect of any dividend or other distribution paid or made on or after the relevant date of issue other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the relevant date of issue.

18. Effect of alterations to capital

In the event of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company, the Company shall instruct the auditors to, and the auditors shall at the request of the Company, certify in writing such corresponding alterations (if any) made in (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as circumstances requiring alteration or adjustment) the number of Shares subject to any option or the exercise price thereof so far as such option or any part thereof remains unexercised, either generally or as regards any particular grantee to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of the Company as that to which he was entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors in this paragraph is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and conclusive and binding on the Company and the grantees. The costs and expenses in connection with the issue of such certificate by the auditors shall be borne by the Company.

19. Alteration of Proposed Share Option Scheme

The Proposed Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;

(ii) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Proposed Share Option Scheme; and

(iii) any material alteration to the terms and conditions of the Proposed Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Proposed Share Option Scheme),

must be made with the prior approval of the Shareholders in general meeting provided that no alteration shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to the date of alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to the alteration except with the sanction obtained in accordance with the terms of the Proposed Share Option Scheme.

20. Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantee of the relevant options. Where the Company cancels options and issues new ones to the same grantee, the issue of such new options may only be made under the Proposed Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

21. Termination of the Proposed Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the Proposed Share Option Scheme and in such event no further option shall be offered but the provisions of the Proposed Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Proposed Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Proposed Share Option Scheme.

22. Conditions of the Proposed Share Option Scheme

The Proposed Share Option Scheme is conditional on (a) the Shareholders' approval of the adoption of the Proposed Share Option Scheme and termination of the Share Option Scheme at the extraordinary general meeting to be held on 15th October, 2003; and (b) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options granted pursuant thereto; and (c) the dealings of Shares on the Main Board commence.

23. Disclosure in annual and interim reports

The Company will disclose details of the Proposed Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

24. Present status of the Proposed Share Option Scheme

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the Proposed Share Option Scheme.

OTHER INFORMATION

Estate duty, tax and other indemnities

Each of the executive Directors, Best Today, Mr. Li Lai Ming, Ms. Ho Ping, Tanya and Mr. Tsang Man Chan (together, the "**Indemnifiers**") have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for its subsidiaries) on 22nd July, 2001 to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) ("**Estate Duty Ordinance**")) to any member of the Group on or before the date on which the Placing (as defined in the Prospectus in relation to the placing of Shares in connection with the listing of the Company on GEM) becomes unconditional. The Indemnifiers have also given indemnities to the Group on a joint and several basis in relation to taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Placing becomes unconditional. The Indemnifiers will have no liability as aforesaid under the following situations:

(a) to the extent that provision has been made for such Taxation (as defined therein) in the audited accounts of the Company and its subsidiaries as at 31st December, 2000 and for the 3 months ended 31st March, 2001;

(b) where such liability has arisen as a result of any act or omission by any member of the Group (whether alone or in conjunction with some other act, omission or transaction whenever occurring) voluntarily effected without the consent of the Indemnifiers otherwise than in the ordinary course of business after 31st March, 2001;

(c) for which any member of the Group is liable as a result of any transaction entered into by it in the ordinary course of business after 31st March, 2001;

(d) to the extent that such Taxation Claim (as defined therein) arises or is incurred as a result of the imposition of Taxation (as defined therein) as a consequence of any retrospective change in the law or practice coming into force after the Effective Date (as defined therein) or to the extent that such claim arises or is increased by an increase in rates of Taxation (as defined therein) after such date with retrospective effect;

(e) to the extent of any provision or reserve made for Taxation (as defined therein) in the audited accounts of the Company as at 31st December, 2000 and for the 3 months ended 31st March, 2001 which is finally established to be an over-provision or any excessive reserve then the Indemnifiers' liability (if any) in respect of Taxation (as defined therein) shall be reduced by an amount not exceeding such over-provision or excessive reserve provided that the amount of any such provision or reserve applied pursuant to this sub-paragraph to reduce the Indemnifiers liability in respect of such Taxation (as defined therein) shall not be available in respect of any such liability arising thereafter in which event the Indemnifiers shall be obliged to indemnify each member of the Group companies against any liability, loss or damage arising from such liability; and

(f) penalty is imposed on the Group companies or any member of the Group under section 42 of the Estate Duty Ordinance by reason of the relevant company defaulting in any obligation to give information to the Commissioner of Estate Duty under section 42(1) of the Estate Duty Ordinance.

Under the deed of indemnity, each of the Indemnifiers has also jointly and severally undertaken to indemnify the Company and each member of the Group in respect of any liability resulting directly or indirectly from the failure of any member of the Group to maintain, on or before the underwriting agreement (being the underwriting agreement dated 28th June, 2001 in relation to the Placing) becoming unconditional, adequate insurance cover against accident, damage, injury, third party loss and other risks in respect of the products of the Group.

Under the same deed of indemnity, Mr. Lao has also undertaken in favour of the Company to indemnify the Group for any depletion in value of assets, costs, fees, expenses, claims, losses, liabilities and proceedings which may be incurred or suffered by any member of the Group as a result of the trust agreement in respect of the Group' interest in Fujian Goldigit being declared or determined by any PRC court or relevant government authority to be illegal, invalid or unenforceable as more particularly referred to in the paragraph headed "Trust agreement in respect of Fujian Goldigit" in the section headed "Risk factors" in this document.

Litigation

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

Sponsors

China Everbright and MasterLink have, together with the Company, made an application to the Listing Committee of the Stock Exchange for the listing on the Main Board of, and permission to deal on the Main Board in, all the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of any options which may, prior to its termination, be granted under the Share Option Scheme or which may be granted under the Proposed Share Option Scheme.

Promotor

The promotor of the Company is Mr. Lao. Save as pursuant to the Directors' service agreement with the Company, within two years preceding the date of this document, no amount or benefit has been paid or given to the promotor in connection with the Introduction or the related transactions described herein.

Expenses

The estimated expenses in respect of the Introduction are approximately HK$5.0 million and are payable by the Company.

Qualification of experts

The qualification of the experts who have given their opinions which are contained in the document are as follows:

Name	Qualifications
China Everbright	Deemed licensed corporation for types 4, 6 and 9 regulated activities under the SFO
MasterLink	Deemed licensed corporation for types 1, 4, 6 and 9 regulated activities under the SFO
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
Greater China Appraisal Limited	Property valuers
Chen & Co.	PRC legal advisers
Deloitte Touche Tohmatsu	Certified public accountants

Consents of experts

Each of China Everbright, MasterLink, Conyers Dill & Pearman, Cayman, Greater China Appraisal Limited, Chen & Co. and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuation and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

Miscellaneous

(a) Save as disclosed in this document,

(i) within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued as fully or partly paid up either for cash or for a consideration other than cash, and no commission, discount, brokerage or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or its subsidiaries; and

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) The Company has no founder, management or deferred shares.

(c) Necessary arrangements have been made with HKSCC for the Shares to continue to be accepted as eligible securities of CCASS.

(d) No major change in the nature of the business of the Group is being contemplated by the Directors following the listing of the Shares on the Main Board.

Copies of this listing document and the following documents will be available for inspection at the offices of Sidley Austin Brown & Wood at 49th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Prospectus;

(b) the memorandum of association of the Company and the Articles of Association;

(c) the accountants' report prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendix I to this document;

(d) the annual reports of the Company for each of the two financial years ended 31st December, 2002;

(e) the letter, summary of valuation and valuation certificate prepared by Greater China Appraisal Limited, the texts of which are set out in Appendix II to this document;

(f) the rules of the Proposed Share Option Scheme;

(g) the Companies Law;

(h) the letter prepared by Conyers Dill & Pearman, Cayman summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this document; and

(i) the written consents of experts referred to in the sub-paragraph headed "Consents of experts" under the paragraph headed "Other information" in Appendix IV to this document.