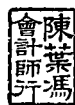


The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Arthur Andersen & Co., Certified Public Accountants, and Charles Chan, Ip & Fung CPA Ltd., Certified Public Accountants.

**ARTHUR
ANDERSEN**
安達信公司



Charles Chan, Ip & Fung CPA Ltd.
Certified Public Accountants
陳葉馮會計師事務所有限公司

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500 Hennessy Road
Causeway Bay
Hong Kong

16th November, 1999

The Directors
China Agrotech Holdings Limited
ICEA Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to China Agrotech Holdings Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) for inclusion in the prospectus of the Company dated 16th November, 1999 (“the Prospectus”).

The Company was incorporated in the Cayman Islands on 9th September, 1999 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The Company has not carried on any business since its incorporation, except that on 11th November, 1999 it acquired the entire issued share capital of Yut Yat Company Limited through a share exchange and consequently became the holding company of the Group. Yut Yat Company Limited acts as an intermediate holding company of the other companies comprising the Group.

As at the date of this report, no audited financial statements have been prepared by the Company and Yut Yat Company Limited as they were not subject to any statutory audit requirements in the jurisdictions of incorporation. No audited financial statements have been prepared by Fuzhou Topmart Plant Growth Co., Ltd. as it was incorporated subsequent to 30th June, 1999. We have, however, reviewed all relevant transactions of these companies for the years covered by this report, and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report. We have acted as auditors of Loyal Faith International Industrial Limited and Topmart Limited for each of the years covered by this report or since their respective dates of incorporation where this is a shorter period. Xiamen Genben Fine Chemical Industry Co., Ltd. was audited by Fujian Zhongqing Certified Public Accountants.

For the purpose of this report, we have carried out an audit of the consolidated financial statements of Loyal Faith International Industrial Limited and its subsidiary for each of the years ended 30th June, 1998 and 1999, and the financial statements of Topmart Limited for the period from 5th May, 1999 (date of incorporation) to 30th June, 1999, in accordance with the Auditing Standards issued by the Hong Kong Society of Accountants.

We have examined the audited consolidated financial statements of Loyal Faith International Industrial Limited and its subsidiary for each of the years ended 30th June, 1998 and 1999, the audited financial statements of Topmart Limited for the period from 5th May, 1999 (date of incorporation) to 30th June, 1999 and the management accounts of Yut Yat Company Limited for the period from 9th March, 1999 (date of incorporation) to 30th June, 1999, in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The summaries of the combined results of the Group for each of the years ended 30th June, 1998 and 1999, and of the combined net assets of the Group as at 30th June, 1999 ("the Summaries") set out in this report have been prepared from the audited financial statements or, where appropriate, management accounts of the companies now comprising the Group on the basis set out in Section 1 below, after making such adjustments as we considered appropriate for the purpose of preparing our report for inclusion in the Prospectus.

In our opinion, the Summaries, together with the notes thereon, give, for the purpose of this report, a true and fair view of the combined results of the Group for each of the years ended 30th June, 1998 and 1999 and of the combined net assets of the Group as at 30th June, 1999.

1. BASIS OF PRESENTATION

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries (all these companies being private limited companies or, if incorporated outside Hong Kong, having substantially the same characteristics as a Hong Kong private limited company):

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Loyal Faith International Industrial Limited	Hong Kong 2nd March, 1995	HK\$1,000,000	100%	Investment holding
Topmart Limited	Hong Kong 5th May, 1999	HK\$2	100%	Investment holding
Xiamen Genben Fine Chemical Industry Co., Ltd.*	Mainland China 9th June, 1997	Rmb1,915,000 registered capital	62.67%	Manufacturing and selling of plant growth regulator products
Yut Yat Company Limited	British Virgin Islands 9th March, 1999	US\$60,000	100%	Investment holding
Fuzhou Topmart Plant Growth Co., Ltd.**	Mainland China 6th July, 1999	HK\$1,200,000 registered capital	100%	Manufacturing and selling of plant growth regulator products

- * Xiamen Genben Fine Chemical Industry Co., Ltd. is a sino-foreign equity joint venture established in Mainland China to be operated up to 2013.
- ** Fuzhou Topmart Plant Growth Co., Ltd. is a wholly-owned foreign enterprise established in Mainland China to be operated up to 2014.

The summary of the combined results includes the results of the companies now comprising the Group, as if the current structure of the Group had been in existence throughout the years covered by this report or since their respective dates of incorporation where this is a shorter period. The summary of the combined net assets of the Group as at 30th June, 1999 has been prepared to present the assets and liabilities of the companies now comprising the Group as at that date as if the current group structure had been in existence as at 30th June, 1999.

Significant transactions and balances between companies now comprising the Group have been eliminated on combination.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the financial information set out in this report, which conform with accounting principles generally accepted in Hong Kong, are as follows:

a. Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as long-term investment.

b. Turnover and revenue recognition

Turnover comprises the net invoiced value (excluding value-added tax) of merchandise sold after allowances for returns and discounts.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is delivered and title has passed. Interest income is recognised on a time-proportion basis on the principal outstanding and at the rates applicable.

c. Taxation

Individual companies within the Group provide for income tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Deferred taxation is provided under the liability method in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

d. Development expenditures

Research expenditures are written off as incurred. Development expenditures incurred on specific projects are carried forward where recoverability can be foreseen with reasonable assurance. Development expenditures are amortised on a straight-line basis over a period of five years, which represents the time period where the related products are expected to be sold, starting from commencement of sales. The Directors consider this treatment results in proper matching of cost and revenue. Other development expenditures are written off as incurred.

e. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Major expenditures on modifications and betterments of fixed assets which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs of fixed assets are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Machinery and equipment	20%
-------------------------	-----

Gains or losses on disposals of fixed assets are recognised in the profit and loss account based on the net disposal proceeds less the then carrying amount of the assets.

f. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes costs of raw materials determined using the weighted average method of accounting and, in the case of work-in-progress and finished goods, also direct labour and an appropriate proportion of production overheads. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

g. Operating leases

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the relevant leases.

h. Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the

respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date; non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange gains or losses are dealt with in the profit and loss accounts of the individual companies.

On combination, all of the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all of the income and expense items of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average applicable exchange rates during the year. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustments.

i. **Staff retirement benefits**

The costs of staff retirement benefits are charged to the profit and loss account in the relevant period in which they are incurred.

3. RESULTS

The following is a summary of the combined results of the Group for each of the years ended 30th June, 1998 and 1999, prepared on the basis set out in Section 1 above:

	<i>Notes</i>	Years ended 30th June,	
		1998	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(a)	4,534	21,065
Cost of sales		<u>(1,975)</u>	<u>(5,961)</u>
Gross profit		2,559	15,104
Selling, general and administrative expenses		<u>(561)</u>	<u>(5,838)</u>
Profit before taxation	(b)	1,998	9,266
Taxation	(c)	<u>—</u>	<u>(286)</u>
Profit after taxation but before minority interests		1,998	8,980
Minority interests		<u>(746)</u>	<u>(3,458)</u>
Profit attributable to shareholders		<u>1,252</u>	<u>5,522</u>
Dividend	(d)	<u>—</u>	<u>4,000</u>
Earnings per share	(e)	<u>0.72 cents</u>	<u>3.16 cents</u>

a. **Turnover and revenue**

Analysis of turnover and revenue by product categories was as follows:

	Years ended 30th June,	
	1998	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales		
- general plant growth regulator products	4,534	—
- plant growth regulator products for vegetables	—	10,405
- plant growth regulator products for fruits	—	10,660
	<u>4,534</u>	<u>21,065</u>
Total turnover	4,534	21,065
Interest income	—	2
	<u>—</u>	<u>2</u>
Total revenue	<u>4,534</u>	<u>21,067</u>

The Group's sales in Mainland China were carried out by Xiamen Genben Fine Chemical Industry Co., Ltd. ("Xiamen Genben"), a subsidiary established and operated in Xiamen, Fujian Province, Mainland China. No Mainland China value-added tax ("VAT") at a rate of 13% relating to these sales is provided or paid as the Directors of the Company are of the opinion that the sales of Xiamen Genben is exempted from VAT as the related products are classified as agricultural pesticides which are exempted from VAT under Mainland China tax regulations.

b. **Profit before taxation**

Profit before taxation was stated after charging and crediting the following:

	Years ended 30th June,	
	1998	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging -		
Cost of sales	1,975	5,961
Cost of staff retirement benefits	56	601
Operating lease rentals in respect of rented premises	143	346
Depreciation of fixed assets	400	513
Loss on disposals of fixed assets	—	141
Research and development expenses	—	1,108
Amortisation of development expenditures	505	506
Auditors' remuneration	130	130
	<u>1,975</u>	<u>5,961</u>
After crediting -		
Interest income from bank deposits	—	2
	<u>—</u>	<u>2</u>

c. **Taxation**

No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong.

Xiamen Genben Fine Chemical Industry Co., Ltd. ("Xiamen Genben"), a subsidiary established and operated in a special economic region of Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%. However, it is exempted from income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. The first tax exemption period of Xiamen Genben expired on 31st December, 1998 and it is subject to Mainland China enterprise income tax at the rate of 7.5% for the six months ended 30th June, 1999. If the tax holiday did not exist, the Group's provision for Mainland China enterprise income tax would have been increased by approximately HK\$319,000 and HK\$1,170,000, respectively, for the years ended 30th June, 1998 and 1999.

There was no significant unprovided deferred taxation for each of the years ended 30th June, 1998 and 1999.

d. **Dividend**

No dividend has been paid or declared by the Company since its incorporation.

The following dividend was paid by Loyal Faith International Industrial Limited to its then shareholders during each of the years ended 30th June, 1998 and 1999:

	Years ended 30th June,	
	1998	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loyal Faith International Industrial Limited	<u>—</u>	<u>4,000</u>

e. **Earnings per share**

The calculation of the basic earnings per share for the years ended 30th June, 1998 and 1999 is based on the profit attributable to shareholders during these years and on the 175,000,000 shares in issue and issuable, comprising 2,000,000 shares in issue as at the date of the prospectus and 173,000,000 shares to be issued pursuant to the Capitalisation Issue as described more fully in the section headed "Statutory and General Information" in Appendix V to the prospectus.

f. **Directors' and senior executives' emoluments**

i. Details of emoluments paid to directors of the Company were:

	Years ended 30th June,	
	1998	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	—	—
Other emoluments		
- Basic salaries and allowances	44	210
- Contributions to retirement plan	<u>9</u>	<u>19</u>
	<u>53</u>	<u>229</u>

The numbers of directors whose remuneration falls within the following bands are as follows:

	Years ended 30th June,	
	1998	1999
Nil — HK\$1,000,000	<u>3</u>	<u>3</u>

The three directors received emoluments (basic salaries and allowances) of approximately HK\$44,000, Nil and Nil, respectively, for the year ended 30th June, 1998 and approximately HK\$60,000, HK\$60,000 and HK\$90,000 for the year ended 30th June, 1999. No discretionary nor performance bonus was paid to the directors for the years ended 30th June, 1998 and 1999.

No director waived any emoluments. No incentive payment nor compensation for loss of office was paid or payable to any director for the years ended 30th June, 1998 and 1999.

Under the arrangements currently in force, the aggregate amount of fees and other emoluments payable to the directors of the Company for the year ending 30th June, 2000 is estimated to be approximately HK\$1,650,000.

- ii. Details of emoluments paid to the five highest paid individuals (including directors and other employees) were:

	Years ended 30th June,	
	1998 HK\$'000	1999 HK\$'000
Basic salaries and allowances	100	390
Contributions to retirement plan	21	57
Total	<u>121</u>	<u>447</u>
Number of directors	1	3
Number of employees	4	2
	<u>5</u>	<u>5</u>

During the years ended 30th June, 1998 and 1999, no emoluments of the five highest paid individual (including directors and employees) were incurred as inducement to join or upon joining the Group or as compensation for loss of office.

The remuneration of each of the highest paid individuals falls within the band of Nil to HK\$1,000,000 during each of the years ended 30th June, 1998 and 1999.

g. **Retirement benefits**

As stipulated by Mainland China regulations, Xiamen Genben Fine Chemical Industry Co., Ltd. maintains a defined contribution retirement plan for all of its employees. The company contributes to a state sponsored retirement plan approximately 21% of the basic salary of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The state sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. The Group's contributions for the years ended 30th June, 1998 and 1999 amounted to approximately HK\$56,000 and HK\$601,000, respectively, with no utilisation of forfeited contribution.

The other group companies did not have any pension scheme for their employees. As at 30th June, 1999, the Group had no significant obligation for long service payments to its employees in Hong Kong pursuant to the Hong Kong Employment Ordinance.

h. **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Particulars of significant transactions between the companies now comprising the Group and a related company during the years covered by this report are summarised below:

	Years ended 30th June,	
	1998	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales to China (Fujian) Chaoda Group*	—	6,139
License fee paid to China (Fujian) Chaoda Group*	—	187

* China (Fujian) Chaoda Group was controlled by Mr. Kwok Ho, a director of Loyal Faith International Industrial Limited, the Company's subsidiary, during the years covered by this report. Mr. Kwok Ho has resigned as a director of the above-mentioned subsidiary effective from 8th September, 1999. Also, Ms. Chiu Na Lai, spouse of Mr. Kwok Ho, was a director of Yut Yat Company Limited and Topmart Limited, the Company's subsidiaries, during the year covered by this report. Ms. Chiu Na Lai has resigned as a director of the above-mentioned subsidiaries effective from 10th September, 1999.

The license fee was based on an agreement between the Group and China (Fujian) Chaoda Group. In the opinion of the Directors of the Company, the above related party transactions were carried out in the usual course of business of the Group and on normal commercial terms.

4. NET ASSETS

The following is a summary of the combined net assets of the Group as at 30th June, 1999, prepared on the basis set out in Section 1 above.

	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Development expenditures	(a)		1,519
Fixed assets	(b)		1,544
Current assets:			
Inventories	(c)	307	
Accounts receivable			
— third parties		548	
— a related party	(d)	300	
Other current assets		270	
Due from a related company	(d)	125	
Due from a director	(e)	2,558	
Cash and bank deposits		169	
		<u>4,277</u>	
Total current assets			<u>4,277</u>
Current liabilities:			
Accruals and other payables	(f)	1,306	
Taxation payable		286	
		<u>1,592</u>	
Total current liabilities			<u>1,592</u>
Net current assets			<u>2,685</u>
Total assets less current liabilities			5,748
Minority interests			<u>(2,130)</u>
Net assets	(g)		<u><u>3,618</u></u>

Notes:

a. Development expenditures

	<i>HK\$'000</i>
Beginning of year	2,022
Amortisation for the year	(506)
Translation adjustments	<u>3</u>
End of year	<u><u>1,519</u></u>

The Directors of the Company were of the opinion that all of the projects with development expenditures deferred will generate adequate turnover and profit (after considering manufacturing and normal selling costs) in the foreseeable future to cover the related development expenditures. As at 30th June, 1999, all of the development expenditures deferred were related to projects which were in commercial production.

b. Fixed assets

	Cost <i>HK\$'000</i>	Accumulated depreciation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Machinery and equipment	<u>2,364</u>	<u>(820)</u>	<u>1,544</u>

c. Inventories

	<i>HK\$'000</i>
Raw materials	261
Work-in-progress	24
Finished goods	<u>22</u>
	<u>307</u>

d. Due from a related company

	Outstanding balance at 1st July, 1998 <i>HK\$'000</i>	Outstanding balance at 30th June, 1999 <i>HK\$'000</i>	Maximum balance due from a related company during the year ended 30th June, 1999 <i>HK\$'000</i>
Due from Double More International Ltd. *	<u>—</u>	<u>125</u>	<u>125</u>

*: Double More International Ltd. is beneficially owned by Ms. Chiu Na Lai, a director of Yut Yat Company Limited and Topmart Limited, the Company's subsidiaries, during the year covered by this report. Ms. Chiu Na Lai has resigned as a director of the above-mentioned subsidiaries effective from 10th September, 1999.

The outstanding balances with Double More International Ltd. was unsecured, non-interest bearing and without pre-determined repayment terms. As at the date of this report, the outstanding balance at 30th June, 1999 has been fully repaid. Had interest been charged on the outstanding balance with related company during the years covered by this report based on the average Hong Kong prime lending rate of approximately 9.37% per annum, the Group would have received interest, net of tax, of approximately nil and HK\$1,000, respectively, for the years ended 30th June, 1998 and 1999.

In addition, as at 30th June, 1999, approximately HK\$300,000 of the Group's accounts receivable is due from China (Fujian) Chaoda Group, being the balance arising from sales made to China (Fujian) Chaoda Group, a related company of the Group as described in Section 3.h. As at the date of this report, this outstanding balance has been settled.

e. **Due from (to) a director**

	Outstanding balance at 1st July, 1998	Outstanding balance at 30th June, 1999	Maximum balance due from a director during the year ended 30th June, 1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Wu Shaoning	<u>(1,680)</u>	<u>2,558</u>	<u>2,558</u>

The outstanding balance with Mr. Wu Shaoning, a director of the Company was unsecured and non-interest bearing. Approximately HK\$1,008,000 was settled by cash on 8th November, 1999 and the remaining balance of approximately HK\$1,550,000 was settled by cash on 9th November, 1999. Had interest been charged on the outstanding balance with the director during the years covered by this report based on the average Hong Kong prime lending rates of approximately 9.37% per annum, the Group would have paid (received) interest, net of tax, of approximately HK\$176,000 and HK\$(35,000), respectively, for the years ended 30th June, 1998 and 1999.

f. **Accruals and other payables**

	<i>HK\$'000</i>
Provision for staff welfare	155
Provision for staff retirement benefits	657
Accruals for selling, general and administrative expenses	<u>494</u>
	<u>1,306</u>

Provision for staff welfare is made according to 14% of employee salary in accordance with the government regulations in Mainland China.

g. **Net assets of the Company**

The Company was incorporated on 9th September, 1999. On the basis as set out in Section 1 above, the net assets of the Company as at 30th June, 1999 amounted to approximately HK\$3,618,000, representing investment in subsidiaries.

h. Reserves

Movements of reserves of the companies now comprising the Group during each of the years ended 30th June, 1998 and 1999 were:

	Years ended 30th June,	
	1998	1999
	HK\$'000	HK\$'000
Statutory surplus reserve * -		
Beginning of year	—	—
Transfer from retained profit	—	293
Translation adjustments	—	1
End of year	<u>—</u>	<u>294</u>
Cumulative translation adjustments -		
Beginning of year	—	3
Translation adjustments	3	12
End of year	<u>3</u>	<u>15</u>
(Accumulated deficit) Retained profit -		
Beginning of the year	(560)	692
Profit for the year	1,252	5,522
Transfer to statutory surplus reserve	—	(293)
Dividend	—	(4,000)
End of year	<u>692</u>	<u>1,921</u>

* Xiamen Genben Fine Chemical Industry Co., Ltd. is required to appropriate its statutory after-tax profit (after offsetting any prior years' losses) to statutory surplus reserve, with the amount of the appropriation be determined by its Board of Directors, until the balance of the statutory surplus reserve reaches 50% of its share capital and thereafter any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or for the issuance of bonus shares, but such statutory surplus reserve shall be maintained at a minimum of 25% of share capital after such issuance.

i. Distributable reserves

The Company has not carried on any business since its incorporation, except for the acquisition on 11th November, 1999 of the subsidiaries set out in Section 1 above. Accordingly, the Company had no reserves available for distribution to shareholders as at 30th June, 1999.

5. COMMITMENTS

The Group had the following significant commitments which are not reflected in the summary of combined net assets of the Group set out in Section 4 above:

a. Operating lease commitment

As at 30th June, 1999, the Group had commitment in respect of rented premises under a non-cancellable operating lease agreement extending to June 2004, amounting to approximately HK\$1,462,000. The amount of commitment payable within the next twelve months were analysed as follows:

	<i>HK\$'000</i>
Lease expiring within a period	
— more than one year but not exceeding five years	<u>276</u>

b. Capital commitments

As at 30th June, 1999, the Group had authorised but not contracted for capital commitments of approximately HK\$2,250,000 for acquisition of fixed assets.

6. SUBSEQUENT EVENTS

The following transactions took place subsequent to 30th June, 1999 and up to the date of this report:

- a. the Group entered into a letter of intent to acquire land use right in Mainland China for approximately HK\$7,875,000.
- b. the Group completed a reorganisation in preparation for a listing of shares of the Company on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the details of which are set out in the subsection headed "Corporate reorganisation" of Appendix V to the prospectus; and
- c. at the special general meeting of the Company held on 11th November, 1999, resolutions were passed to effect the transactions set out in the subsection headed "Resolutions of all shareholders of the Company passed on 21st September, 1999 and on 11th November, 1999" of Appendix V to the prospectus.

7. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30th June, 1999. In addition, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30th June, 1999.

Yours faithfully,
ARTHUR ANDERSEN & CO.

Yours faithfully,
CHARLES CHAN, IP & FUNG CPA LTD.
Chan Wai Dune, Charles
Practising Certificate Number P00712