PRINCIPAL STRENGTHS OF THE GROUP

The Directors believe that the principal strengths of the Group are as follows:

1. *The Only Producer of Regulatory-Type PGRs in China with Significant Expansion Potential*

The Group is currently the only producer of regulatory-type PGRs in the PRC. The more technologically advanced nature of its regulatory-type PGRs compared to hormone-type PGRs, in the Directors' view, provides the Group with its key competitive advantage. Research information compiled by 福建省石油化學工業廳 (the Department of Petroleum and Chemical Industry of Fujian Province) in 1999 estimated that the total annual potential consumption volume of PGRs in the PRC could reach 160,000 tonnes when the actual total production volume in 1998 only amounted to less than 10% of such potential consumption volume. This information suggests that other than developing the Group's market among existing hormone-type PGR customers, there is also significant untapped market potential among farmers who do not currently use any kind of PGR.

2. *High Profit Margin*

In each of the two years ended 30th June, 1998 and 1999, the Group had an operating profit margin before taxation and minority interests of approximately 44%. This is calculated after taking into account sales and promotion expenses which are expected to be relatively higher in the initial stages of the Group's development. The Group has full discretion in determining product prices in the light of market conditions. With its low cost structure, the Group has a significant degree of flexibility in determining its market strategy in the event of increased competition or unforeseeable market changes in the future.

3. *Continuing Research and Development to Maintain Competitive Advantage Over Competitors*

The Directors fully understand the importance of safeguarding the confidentiality of the Group's production knowhow as well as placing continuous emphasis on research and development to improve product quality and to develop a more diversified range of products. The Group has reached the final stages of the development of two new regulatory-type PGRs, one for tobacco and the other for rice. These products are expected to be launched in the market in early 2000. The Group has also commenced the development of other new regulatory-type PGRs for fungi, flowers, corns and oil seeds, each of which is expected to take over two years from initial research and development to commencement of commercial production. The Group believes that the continuous consolidation of its leading position in technology and research and development is key to further strengthening its competitive advantages over its competitors.

4. *Extensive Sales Network and Well Recognised Brand Name*

All of the Group's products are sold under the "超大" trade mark and brand name which are owned by the Chaoda Group. The Chaoda Group is one of the leading suppliers of organic fertilisers in the PRC and its "超大" trade mark and brand name are well-established in the PRC agricultural industry, and such market recognition has benefitted, and the Directors expect will continue to benefit, the Group's sales. The Chaoda Group is also the Group's largest customer as it is able to utilise its well-established distribution network that has direct access to agricultural communities throughout the PRC for the distribution of the Group's products. The Group also sells its products to various provincial agricultural resources companies and provincial agricultural technology promotion centres, all of which are government operated entities serving farmers throughout the PRC. The Directors believe that the combination of the Chaoda Group, the provincial agricultural resources companies and the provincial agricultural technology promotion centres provides the Group with a strong and comprehensive sales and distribution network throughout China.

5. *Government Awards and Support*

Since their initial stages of development, the Group's products have received various awards presented by governmental or industry bodies. In September 1997, the Group's DCPTA-based regulatory-type PGR was promoted by the State Science and Technology Commission on a nationwide basis and listed under '九五' 國家科技成果重點推廣計劃 (the National Priority Promotion Programme of Scientific Achievement of the ninth Five-Year Plan). In August 1998, 農業部全國農技推廣服務中心 (the National Agricultural Technology Promotion Service Centre of the Ministry of Agriculture) also promoted the Group's products to all agricultrual technology centres throughout China. To the knowledge of the Directors, the Group's products have, so far, been the only PGR products promoted by 農業部全國農技推廣服務中心 (the National Agricultural Technology Promotion Service Centre of the Ministry of Agriculture) in recent years.

6. *Strong Management Team*

The Group has an experienced management team, key members of whom have extensive experience and technical expertise in the PRC PGR industry. Most of the key management members have been involved with the Group's operations since the early stages of its establishment.

FUTURE PLANS AND BUSINESS OBJECTIVES

Overall business objectives

The Group's overall business objectives are:

— to maintain its position as the leading producer of regulatory-type PGRs in the PRC; and

— to build upon the success of its two specific purpose PGRs for vegetables and for fruits and to further develop new specific purpose PGRs for a more diversified range of agricultural produce.

In 1998, there were over 100 producers of hormone-type PGRs in the PRC, while the Group was, and currently remains to be, the only producer of regulatory-type PGRs. In that year, the total production volume of PGRs in the PRC was approximately 15,000 tonnes, and the Group produced 180 tonnes of regulatory-type PGRs during the year ended 30th June, 1999. According to research information compiled by 福建省石油化學工業廳 (the Department of Petroleum and Chemical Industry of Fujian Province) in 1999, it was estimated that the total annual potential consumption volume of PGRs in the PRC could reach 160,000 tonnes. Hence, the Directors believe that there is significant market potential for regulatory-type PGRs both as a substitute product for hormone-type PGRs among existing users and as a new product among farmers who do not currently use any kind of PGRs.

The Directors consider that the key competitive strength of the Group lies in the more technologically advanced nature of its products. The technical knowhow that is key to the production of the Group's products has been developed by Mr. Wu over a period of more than four years from early 1992. To the knowledge of the Directors, none of the producers of hormone-type PGRs in the PRC currently possesses the technical knowhow required for the production of regulatory-type PGRs. The Group currently faces a minimal degree of competition from imported PGRs as the import of PGRs into the PRC is subject to an import tariff of 13%. While the Group may face increased competition if such import tariff were to be abolished or significantly reduced, any imported product would still first have to comply with the PRC government's product registration and testing requirements which and it may take at least two years before such product can be sold in the PRC. The Directors also believe that even if the prices of imported PGRs were to be lowered in future, there would be sufficient cost margin for the Group's products to maintain their price competitiveness.

The most important part of the Group's production technology relates to the production of the base chemical of DCPTA from which specific purpose PGRs for different agricultural produce are produced. In comparison, the production of DCPTA requires a higher level of technical knowhow than the production of different types of specific purpose PGR using DCPTA as a base chemical. Hence, in terms of technology development, the Group has already completed the more critical part of the development of its production knowhow. This enables the Group to focus on the development of new specific purpose PGRs for a more diversified range of agricultural produce.

As its products are still relatively new to the PRC market, the Group will also continue to focus on increasing sales promotion and market education, particularly in relation to new products that are expected to be launched by the Group.

The specific business objectives of the Group for the remainder of the year ending 30th June, 2000 and the two financial years thereafter are set out below. Investors should note the bases and assumptions set out below subject to which such business objectives have been stated. In considering the specific business objectives of the Group for the remainder of the year ending 30th June, 2000, investors should refer to the profit forecast of the combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending 30th June, 2000 set out in the section headed "Financial Information — Profit Forecast" and the assumptions on which such forecast is based as set out in that section and in Appendix II to this prospectus.

Specific business objectives for the remainder of the year ending 30th June, 2000

In early 1999, the Group started the development of two new regulatory-type PGRs, one for rice, which is being developed in cooperation with Hunan Hybrid Crop Research Centre, and the other for tobacco, which is being developed in cooperation with Henan Agricultural University Tobacco Research Centre. These products are in their final stages of development. The Group expects to start commercial production of these products in March 2000.

In September 1999, the Group signed a letter of intent with 福州市科技園區倉山管理辦公室 (Fuzhou Cangshan Hi-Tech Science Park Management Office) (an independent third party) for the acquisition of the land use rights to a vacant site of approximately 20,000 sq.m. at Fuzhou Cangshan Hi-Tech Science Park in Fuzhou, Fujian Province. The land use rights will have a term of 50 years. The consideration payable to Fuzhou Cangshan Hi-Tech Science Park Management Office is RMB8,400,000. In addition, the Group has to pay any land use rights fees and other fees and tax assessed and charged by the relevant governmental authorities. The Group expects to complete the acquisition of such site shortly after the completion of the Share Offer.

The Group intends to use the Fuzhou site for the construction of a new production facility comprising one production plant (which, initially, will be equipped with four production lines), a warehouse and an office building. The new facility will be owned and operated by Fuzhou Topmart. Of the four production lines that will be constructed, one will be used for the production of PGR for fruits, one for the production of PGR for tobacco and the remaining two for the production of PGR for rice. These production lines will each have an annual production capacity of 280 tonnes of PGRs.

The acquisition cost of the Fuzhou site and the construction costs of the new production facility on such site are estimated to amount to approximately HK$15,000,000. The total costs of establishing the four new production lines at such new facility are estimated to amount to approximately HK$20,000,000. The Group intends to finance these amounts out of the net proceeds of the Share Offer. Subject to the completion of the site acquisition, the Group expects construction to commence in December 1999 and to be completed by February 2000. The four new production lines are expected to commence commercial production in March 2000.

By the end of the year ending 30th June, 2000, the Group expects to have in operation its two existing production lines in Xiamen operated by Xiamen Genben and Fuzhou Topmart respectively, and the four new production lines in Fuzhou to be operated by Fuzhou Topmart. The Group's total annual production capacity will then be increased to 1,680 tonnes of PGRs. The Group estimates that the production volume of PGR for vegetables, fruits, tobacco and rice will then reach approximately 250 tonnes, 390 tonnes, 100 tonnes and 200 tonnes respectively.

The Group currently has eight sales centres located in Beijing, Shandong Province, Jiangsu Province, Henan Province, Hubei Province, Shaanxi Province, Sichuan Province and Fujian Province respectively and employs a total of 45 sales personnel. To enable the Group to increase the promotion of its products, the Group plans to employ approximately 100 additional sales staff. The Group also plans to increase its advertising and promotion activities particularly in relation to the two new PGRs for tobacco and for rice expected to be launched during the year. The Group estimates that a total amount of approximately HK$7,000,000 will be incurred during the year ending 30th June, 2000 in connection with the hiring of additional sales staff and the advertising and promotion activities. The Group intends to finance this amount out of the net proceeds of the Share Offer.

Specific business objectives for the year ending 30th June, 2001

In addition to the development of the new PGR for rice and for tobacco, during 1999, the Group also started initial research studies on the development of a number of other new regulatory-type PGRs. These include the development of a PGR for fungi carried out in cooperation with the Fungi Development and Application Research Centre of the Fujian Agricultural School, a PGR for flowers carried out in cooperation with the Crop Biology Department of Liaoning Normal School, and a PGR for corn and for oil seeds carried out in cooperation with the Crop Biochemical Control Research Centre of the China Agricultural University. The Group expects that the research and development work on the PGR for fungi and for flowers (including testing and field experiments) will be completed before the end of 2000. The Group intends to launch the PGR for fungi and for flowers in the first half of 2001.

The total costs for the research and development of the four new products referred to above are estimated to amount to approximately HK$10,000,000, of which approximately HK$6,000,000 are expected to be incurred during the year ending 30th June, 2001 and which the Group intends to finance out of the net proceeds of the Share Offer. The Group also estimates that a further amount of approximately HK$3,000,000 of the net proceeds of the Share Offer will be used as part of sales and promotion expenses during the year.

The Group plans to construct two additional production lines at Fuzhou Topmart's production facility in Fuzhou, one of which will be used for the production of PGR for fungi and the other for the production of PGR for flowers. The Group estimates that the total costs of constructing the two new production lines will amount to HK$10,000,000 which the Group intends to finance from its internal resources. These production lines will each have an annual production capacity of 280 tonnes of PGR. They are expected to be completed in early 2001, with commercial production targetted to commence in the first half of 2001.

In addition to the introduction of the new PGR for fungi and for flowers, the Group may, depending on market conditions and the performance of each of its products, also expand the production of its other products then in production.

By the end of the year ending 30th June, 2001, the Group expects to have eight production lines in operation with a total annual production capacity of 2,240 tonnes of PGRs. The Group estimates that the production volume of PGR for vegetables, fruits, tobacco, rice, fungi and flowers will then reach approximately 280 tonnes, 560 tonnes, 280 tonnes, 560 tonnes, 280 tonnes and 280 tonnes respectively.

Specific business objectives for the year ending 30th June, 2002

The Group expects that the research and development work on the PGR for corn and for oil seeds will be completed before the end of 2001. The Group plans to launch the new PGR for corn and for oil seeds in the first half of 2002. The remaining amount of HK$4,000,000 of the estimated total costs for the research and development of the four new PGRs for fungi, flowers, corn and oil seeds is expected to be incurred in the year ending 30th June, 2002.

The Group plans to construct two additional production lines at Fuzhou Topmart's production facility in Fuzhou, one of which will be used for the production of PGR for corn and the other for the production of PGR for oil seeds. The Group estimates that the total costs of constructing the two new production lines will amount to approximately HK$10,000,000 which the Group intends to finance from its internal resources. These production lines will each have an annual production capacity of 280 tonnes of PGRs. They are expected to be completed in early 2002, with commercial production targetted to commence in the first half of 2002.

In addition to the introduction of the new PGR for corn and for oil seeds, the Group may, depending on market conditions and the performance of each of its products, also expand the production of its other products then in production.

By the end of the year ending 30th June, 2002, the Group expects to have ten production lines in operation with a total annual production capacity of 2,800 tonnes of PGRs. The Group estimates that the production volume of PGR for vegetables, fruits, tobacco, rice, fungi, flowers, corn and oil seeds will then reach approximately 280 tonnes, 560 tonnes, 280 tonnes, 560 tonnes, 280 tonnes, 280 tonnes, 280 tonnes and 280 tonnes respectively.

Bases and assumptions

The Group's business objectives stated above are subject to the following bases and assumptions:

1. The Group is not affected by any of the risk factors set out under the section headed "Risk Factors".

2. The business objectives for any of the specified periods have been stated on the basis that they may have to be revised or adjusted by the Group from time to time in the light of factors such as changes in market conditions, market response to particular products and whether the Group has successfully achieved its stated business objectives in the preceding period or periods. It has also been assumed that the Group does not experience any significant delay in achieving its stated business objectives in any of the specified periods (which could arise, for instance, in connection with the construction of new production facilities).

3. The Group does not encounter any significant difficulty in the research and development of any of its new products.

4. The acquisition of the land use rights to the new site at Fuzhou Cangshan Hi-Tech Science Park, for which the Group has signed a letter of intent (and a supplement thereto), will be completed shortly after the completion of the Share Offer. The letter of intent is not a legally binding agreement. As the Group is expected to pay the full purchase consideration of RMB8,400,000 when it enters into a legally binding land use right transfer contract, the Group can only do so after the completion of the Share Offer when the net proceeds are available for funding the payment of such purchase consideration. If the Group is unable to complete the acquisition of this new site (where, for instance, it is sold to another party before a legally binding land use right transfer contract is executed by the Group), the Directors are confident that the Group will be able to find an alternative location for the construction of its new production facility.

5. The Group is not materially adversely affected by any change in political, legal, fiscal or economic conditions in Hong Kong and the PRC.

6. The Group is not materially adversely affected by any change in legislation, rules or regulations in Hong Kong, the PRC or the British Virgin Islands (where the Group's subsidiaries are established and/or operate) or the Cayman Islands where the Company is established.

7. The Group is not materially adversely affected by any change in prevailing interest or foreign currency exchange rates.

USE OF PROCEEDS

The net proceeds from the Share Offer, after deducting related expenses, are estimated to be approximately HK$79.4 million based on the Issue Price of HK$1.20 per Share. The Company intends to apply the net proceeds in the following manner:

— approximately HK$15,000,000 for payment of the cash consideration of RMB8,400,000, payment of land use rights fees and other fees and taxes charged by the relevant PRC governmental authorities in respect of the acquisition of the land use rights to a site of approximately 20,000 sq.m. at Fuzhou Cangshan Hi-Tech Science Park in Fuzhou, Fujian Province from 福州市科技園區倉山管理辦公室 (Fuzhou Cangshan Hi-Tech Science Park Management Office) of East Wing, Lin Ce Xu Complex, Bai Hu Ting, Cangshan District, Fuzhou, Fujian Province (an independent third party) and financing the construction of a new production facility comprising a production plant, a warehouse and an office building on such site;

— approximately HK$20,000,000 for the establishment of four new production lines at the new production facility to be constructed in Fuzhou, of which one will be used for the production of PGR for fruits, one for the production of PGR for tobacco and the remaining two for the production of PGR for rice;

— approximately HK$10,000,000 for the research and development of four new regulatory-type PGRs for fungi, flowers, corn and oil seeds;

— approximately HK$10,000,000 for advertising and promotion of new products as well as expanding the sales force; and

— the balance is expected to be used as general working capital of the Group.

There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section headed “Risk Factors”. You should read that section carefully before you decide to invest in the Shares.